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GOVERNMENT POSTPONED DECISION ON NUCLEAR MISSILES

Rotterdam NRC HANDELSBLAD in Dutch 21 May 80 ~ 1

[Article by Sytze van der Zee: "Belgium Has Not Yet Decided on NATO Missiles"]

[Text] Brussels, 21 May--Although the new Belgian government wants to meet its NATO obligations it still does not know when a decision regarding the stationing of new nuclear weapons on Belgian soil will be made. This is apparent from the government's statement issued yesterday in Parliament by Prime Minister Wilfred Martens. A 6-month postponement had been requested at the end of last year and this period has now lapsed.

According to Martens the government will continue to discuss this question and examine to what extent and when the set conditions are met. It is on the basis of these elements that they will decide. Parliament is getting the opportunity of playing the role which is due to it in this respect, said Mr Martens. The three government parties: Liberal, Christian-Democrats and Socialists left this point open in the course of the coalition council, doing so mostly under pressure from the Flemish Socialists. In the course of his government statement Martens laid additional criticism upon Great Britain. For 1 year government leaders have been busily engaged in seeking a solution for the British budgetary question within the European Council. "An atmosphere of irritation and excitement" has arisen and there have been some concealed threats.

Martens insisted that in the present-day world, full of political and economic crises, the European Community countries should continue to strive for economic integration and political collaboration.

As for internal problems, Martens admitted that there are still great differences of opinion with regard to the solution of the Brussels problem. Previous governments have also stumbled over this problem. The government parties should have reached an agreement on the new policy structures for the Flemish, Francophone and German communities, as well as for the Walloon regions. Martens had hoped that a climate of new trust could have been created which would have facilitated the solution of the Brussels problem.

In any case the present government wants to settle the Brussels problem before the municipal council elections of 1982. In an urgent appeal to Parliament Martens said: "Our country must get rid of the paralyzing tensions among communities. We must now come to a decision and we can do that only from the viewpoint of an honest and intelligent realism."

7964

CSO: 3105

LAGORIO VIEWS POST-AFGHANISTAN DEFENSE STRATEGY, POLICY

Rome IL SETTIMANALE in Italian 20 May 80 pp 9-10

[Interview with Italian Defense Minister Lelio Lagorio by Paolo Nasso: "The Frontiers Are Secure, but..."]

[Text] Is it realistic to adopt a defense system on the Yugoslav model such as that proposed recently by Forlani? Is it in line with the strategic needs of the Atlantic Alliance? And above all, what is the source of the DC [Christian Democratic Party] president's concern? IL SETTIMANALE asked Defense Minister Lelio Lagorio these questions.

Question: Recently Forlani maintained that Italy must develop a defensive system that would also provide for resort to guerrilla warfare (in line with the Yugoslav example) in case of Soviet invasion. Do you believe the DC president's fear's are well-founded or excessive?

Lagorio: Forlani's fears grow out of Afghanistan. But Afghanistan was a geostrategic and geopolitical position that cannot be compared with that in our country. It is true that the Afghan invasion was a trauma that disturbed international equilibrium and triggered broad anti-Soviet reaction, but an attack on Italy would have far more dangerous consequences. It would be an attack against a territory covered by the North Atlantic Treaty and would result in a general NATO military reaction. In this regard that is why I say that regardless of how tense international relations are, an open challenge to the Atlantic Alliance can be considered, in the present state of affairs, a possibility that is not realistic. This does not, naturally, mean that we must not work to constantly improve our defense organization. And to do this does not mean that we believe in the old saying "if you want peace, prepare for war." We are not preparing for any war. We are preparing the means necessary for an effective defensive reply.

Question: What would be the military consequences in Italy and in NATO of Tito's death?

Lagorio: I do not believe that the death of President Tito would automatically involve the adoption of particular military measures by Italy and our allies. I have reason to believe that the succession of power, carefully prepared by Tito, will take place without any important disturbance. Yugoslavia has no reason to change the policy of nonalignment it has followed so far.

Question: Then you do not believe that there are political and social conditions for the adoption of a "global" defense?

Lagorio: My premise is that, even though we are not trying to hide the fact that the international situation has become more difficult and complex, I believe that world conflicts can still be avoided through negotiation. Our foreign policy, which grows out of the desire to live in peace with everyone, goes in this direction. Our military policy, which is closely connected with this foreign policy, is essentially defensive and, according to constitutional dictates, is entrusted exclusively to regular armed forces. It is self-evident that there is no victorious defense if, in addition to the indispensable means to supply it, it lacks the support with conviction of the great majority of the people. But this is not "global defense," which means something different, as we said before. Our defensive military instrument is not based on "global defense" and therefore its possible adoption would also pose delicate problems of a constitutional character.

Question: Does Italian territory lend itself to that kind of defensive concept?

Lagorio: Italian territory has a geographical configuration characterized by the existence of morphologically different zones. In particular, a mountainous skeleton laid out approximately at right angles (Alps and the Apennines) are counterbalanced by an extended hilly and plain area in which our people and productive activities are concentrated. It is hardly necessary to emphasize that partisan warfare actions and therefore guerrilla warfare, are optimal in the mountainous areas which afford natural protection.

Question: Could our military organization be easily transformed into a system--which is certainly more "mobile"--such as that hypothesized by Forlani?

Lagorio: The process of restructurization of our armed forces, which has been continuing for some years, does not aim at the creation of an army of 8 million bayonets, and therefore does not aim at the mobilization of "cannon fodder." It plans to supply an agile, mobile and flexible army, navy and air force with modern equipment.

6034

CSO: 3104

REACTION TO AFGHAN CRISIS STRAINS RELATIONS WITHIN EEC

Paris DEFENSE NATIONALE in French Apr 80 pp 131-134

[Article by Rene Jacquot: "The Nine and the Afghan Crisis--Tensions Within the Common Market"]

[Text] International relations have been deteriorating since October, when in a speech in East Berlin on the occasion of the 30th anniversary of the GDR, Mr Brezhnev burst out against the NATO plan of having recourse to Pershing II missiles and to the cruise missile to respond to the installation of SS-20's and to compensate in part for the superiority acquired by the Warsaw Pact. This deterioration was aggravated with the intervention of the Red Army in Afghanistan, to the point that one could ask whether detente and peaceful coexistence were not going to give way to the cold war. Words should be wielded with much prudence. First of all, detente and peaceful coexistence should not be confused: detente is a simple attenuation of previous tensions, coexistence is a concept of relations between states or groups of states animated by different principles and pursuing goals which are themselves also different. And then, history ignores returns to the past. The cold war which the world knew from 1945 to 1963 was linked to a certain status of relations of power. It ceased when American superiority gave place to a Russo-American parity. Today, tension reigns while this parity has been strengthened, and when arsenals are more powerful and diversified than in 1962-1963. And the risks entailed by the resort to force are as great as those before which Mr Khrushchev recoiled during the Cuban Crisis of autumn 1962. Direct confrontation is, if not impossible, at least improbable; the danger comes from the possibility of "escalation" from a limited conflict. This helps one understand the position of the United Nations on the tension created by the Afghan affair, and to explain why one cannot compare it to that of the League of Nations at the time of the rise of National Socialism or during the war in Ethiopia. Like the League of Nations, the United Nations parades its impotence. But, whereas before 1939 a country wanted war in order to attain its objectives, being driven by emotion, and laughing at the appeals and decisions of the League of Nations, today, one of the two Superpowers hopes to attain its objectives without provoking a general

conflict, in which it knows it would be the first victim because a conflict between thermonuclear powers would be a joint suicide. Thus nuclear logic reinforces the appeals of the United Nations.

The Europe of the Nine and the Afghan Crisis

At the beginning of February, Chancellor Schmidt and Mr Giscard d'Estaing tried to define a common position for the FRG and France, less on the intervention, which they both decried, than on means of finding a resolution to the crisis, this in the hope that this common position would be supported by their partners in the European community. This 35th Franco-German "summit" showed that, without the solidity of the Franco-German "core," the Europe of the "Nine" could not pretend to play a role on the international scene and remained condemned to bring a "nonentity," in the words of Mr Michel Jobert. For Mr Robert Schuman in 1950, Franco-German reconciliation and the integration of the coal and steel industries of the two countries could enable Europe to get on the road to unification: this was the starting point of a process which, through many difficulties, resulted in the European community. In January 1963, the treaty signed by General De Gaulle and Chancellor Adenauer tried to reinforce this Franco-German cooperation, in the interest of the two countries and from a standpoint that, despite certain appearances, was not very far from that of Robert Schuman. Its scope was reduced by a preamble--which the Bundestag made a precondition for ratification--which restated the irreversible character of the FRG's adherence to NATO, and by an accord which entrusted the armament of the Bundeswehr to the United States. Over the years, the Franco-German "summits" periodically reinforced political cooperation between the two countries, despite the closeness of relations between Bonn and Washington and the political impossibility of going further ahead on the road to a "European" defense. By deciding to build together 4,000 "21st century tanks" Chancellor Schmidt and Mr Giscard d'Estaing gave a new dimension to this cooperation, which is found in the way opened by Mr Robert Schuman and confirmed by the Treaty of January 1963.

On 19 February in Rome the foreign ministers of the "Nine" intended to define a "European" position on the Afghan crisis. After having recalled that "the goal remains to obtain the withdrawal of Soviet troops in Afghanistan," they expressed their determination to "search for proper modalities to restore a situation compatible with the resolution of the General Assembly on 14 January calling on all states to respect the sovereignty, territorial integrity, and political independence of Afghanistan, as well as its status as a nonaligned state, and they abstain from all interference in the internal affairs of this country." This sentiment was given concrete form in Point Five of their declaration: "They believed that, in this spirit, a positive solution to the crisis could be found in a formula permitting a neutral Afghanistan to be placed out of bounds to the competition of the powers." This position was a condemnation of the action of the Soviet Union, without being for all that an "alignement" with that of the United States. It was understood as such in the chancelleries.

The Soviet Union no less continued to be suspicious of all Western initiatives, even if they had no relationship, or only an indirect one, with the Afghan crisis. Thus, for example, it attributed hostile intentions to Norway in relation to NATO maneuvers. A unit of 1,600 marines were in fact to participate in NATO's "Anorak Express" maneuvers from 26 February to 27 March in this country, beside 24,000 men belonging to other member nations in NATO: the goal of these maneuvers was to give NATO forces the opportunity for training in winter in especially rigorous climatic conditions. The troop deployment phase was to commence 5 March in the Tromsø region. Now PRAVDA accused Norway of instigating, with prompting from the United States, a policy of hostility toward the USSR, of preparing to modify its defense policy by accepting on its territory foreign troops or nuclear weapons. These intentions were strongly denied in the Norwegian capital. Mr Odvar Nordli, prime minister, stated that Norway envisages authorising its allies to store heavy military material on its territory, due to a strengthening of the Soviet military dispositions in the Murmansk region. Such a reinforcement, he said, "must have consequences for the elaboration of Norwegian policy in matters of security. It requires notably that measures be taken to hasten allied aid in case of emergency." Mr Nordli did not specify what equipment was implied, but he indicated that there was no plan to install in Norway either tactical nuclear weapons or their launchers, or for a permanent stationing there of allied troops.

Tensions Within the Common Market

While these discussions unfolded, the situation within the Common Market became aggravated, and while the "Nine" tried to give their community a role in international affairs, they clashed hard on the operation of the community itself. Once again, the subject was Great Britain's intentions. The horizon was darkened by Mrs Thatcher: not only was there the steelworkers' strike but, at the end of February, there came the figures on unemployment: they were bad, with a mass of jobless workers amounting to 6.1 percent of the active manpower. Meanwhile, the Treasury's economic forecasts for the fiscal year 1980-1981 were very somber: Great Britain could see its industrial production fall by 3.5 percent during the year with a further decline in the following fiscal year, and the budgetary deficit promised to overtake the limits fixed by the government. Finally, Mrs Thatcher was accused by a Conservative M.P., Mr Julian Critchey, of being off course in her approach to the question of the total British contribution to the European community's budget.

In Dublin, the chiefs of state and heads of government of Great Britain's eight partners already had the opportunity to discover certain aspects of Mrs Thatcher's personality, as she remained throughout the summit unyielding in her refusal to accept the compromise which the European Commission had prepared. Shortly after, during a private trip to London, Chancellor Schmidt tried--in vain--to lead Mrs Thatcher to a more just appreciation of European realities: Mrs Thatcher the very same evening went on television to renew her arguments against the injustice which, according to her, would

be done to her country, on the irritation felt by her compatriots, and on the necessity of arriving at a lowering of the 1.1 million pound (10 billion francs) size of the British contribution to the Common Market. She let it be understood that in case her demands were not met, the cabinet could be constrained to envisage suspension of British payments to the Community. She did not allude to a possible demand for a new renegotiation of the treaty whereby Great Britain adhered to the EEC, but some observers asked themselves if such was not her deeper intention, which would allow one to suppose that each British government could demand a revision of the conditions of Great Britain's membership in the European Community.

Great Britain's position with regard to Europe has always been ambiguous. Originally, it refused to be associated with the work undertaken by Robert Schuman and to become a member of the European Coal and Steel Community: if the initial Europe was a Europe of the "Six," this was not because the "Six" wanted to remain such, to remain "continental," but because Great Britain refused to be the seventh partner. Then, after having agreed to send an observer to the negotiations which, after the failure of the CEE project [expansion unknown], produced the EEC, Britain withdrew. Against the EEC, it organized a "small zone of free trade." Realizing, soon, both the failure of this organization and the success of the Common Market, it asked to become a member of it, but on conditions which brought it three "No's" from General de Gaulle. It was finally admitted, without it really being known whether she became a member of the EEC in order to destroy it from within or to respect its rules, even though it never hid the fact that in its eyes "community preferences" should not impinge on the "imperial preferences" inherited from the commonwealth, and it required all of Mr Georges Pompidou's insistence for Britain to give up the pound sterling's role as a reserve currency, a role which it could no longer in any case assume because of its enfeeblement. A voter "backlash" movement provoked a call to renegotiate the conditions of adhesion. Today, the situation is once again very strained, Great Britain desiring, with regard to food imports, to continue to give primacy to its "imperial preferences" over "community preferences," working to erode the EEC into a simple free-trade area (it has always balked at the notion of the "external border" of the Community), and piling up problems along the way, which is already well encumbered, toward better coordination of the foreign policy of the member states. The present situation is thus not new in its assumptions, but it has a new gravity because of the obstacles which are vexing the common agricultural policy and the difficulties which are accumulating before Mrs Thatcher, who is tempted to try to make Europe responsible. After the "fish affair," then the "mutton affair," the question of the British contribution to the community budget shows that London should specify clearly its intentions as to membership in the community. In his televised remarks of 26 February, Mr Giacard d'Estaing said that in his opinion it was no longer possible to discuss one problem in isolation, but that now it was necessary to consider the entire dispute. "There is at the same time the fixing of agricultural prices for the next season, certain important

matters which interest several sectors of the economy, including the fish affair, and then there is the British demand to see the accord it signed concerning its contribution to the European community budget modified. I say it is impossible to find solutions to any one of these affairs separately and that the whole group of issues must receive a resolution acceptable to all." This requirement seems all the more reasonable since the "Nine" are going to have to negotiate with the three countries which are candidates for adhesion, and it would be difficult for them to begin these negotiations if they were not, among themselves, in agreement not so much on the figures, but on the very principles of the community. The French minister of foreign affairs, Mr Francois-Poncet, very clearly told his colleagues that, for France, the debate on reduction of the British contribution to the European budget was henceforth linked to the agricultural debate, and that it will not accept a compromise on the question of the contribution unless the government in London commits itself not only to stop the polemics on the common agricultural policy but also to respect its rules, which it had already accepted.

9516

CSO: 3100

PORTUGUESE CP SENDS MESSAGE TO NETHERLANDS CP CONGRESS

LD201309 Lisbon AVANTE! in Portuguese 12 Jun 80 p 2

[Unattributed article: "PCP Represented at CPN Congress"]

[Text] The 27th Congress of the Communist Party of the Netherlands [CPN] was held last weekend and was attended as a guest representing the Portuguese Communist Party [PCP] by Central Committee member Comrade Martins Coelho.

The PCP sent the CPN Central Committee a greetings message extending to all communists in the Netherlands and the working class and working people of that country, which expresses the Portuguese communists' solidarity with the actions of the working class and other working sectors of the Netherlands against the policy of the monopolies, which are attempting to make the working people of that country pay the price of the crisis of the capitalist system.

"The struggle against the arms race and against the manufacture of weapons of mass destruction such as the neutron bomb," the greetings message states, "has a special significance for the Netherlands, which was occupied by Nazi Germany during World War II. The large mass demonstrations against imperialism's warmongering policy which occurred in the Netherlands, and in which the CPN played a prominent role, certainly helped delay the manufacture of that sinister weapon."

"In defending the vital interests of the working class and of the working people of the Netherlands, in the struggle for united action by the workers and by the democratic forces as a whole, in defending the arduously attained rights and freedoms and in the struggle for peace and disarmament, the CPN can always rely on the PCP's internationalist solidarity."

Referring later to the successes achieved on all continents by the revolutionary forces, while the crisis of capitalism is deepening in contrast to the socialist countries' development, the greetings message continues:

"In order to attempt to check the peoples' liberation struggle and to prevent the deepening of the detente process, imperialism has launched a vast

and disturbing counter-offensive, which is very clear in the arms race plan mapped out at the May 1978 NATO Summit, the attempt to manufacture the neutron bomb, the setting up of the so-called intervention force by the United States, the new missiles aimed at the USSR and other socialist countries and the tremendous anticommunist and anti-Soviet campaign orchestrated since the events in the Democratic Republic of Afghanistan.

"The Portuguese communists believe that it is essential and imperative to combat these plans and activities of U.S. imperialism and NATO's most reactionary circles and to intensify solidarity with all peoples which are the victims of aggression by imperialism, racism and fascism.

"In the PCP's opinion, the present situation requires the strengthening of the activity and cohesion of the international communist movement in order to broaden and strengthen more generally the anti-imperialist front in order to stop imperialism's warmongering plans, prevent war, defend peace and cooperation in Europe and in the world and achieve further successes along the path of democracy, social progress and socialism."

After referring to the Portuguese political situation and the struggles which the people's masses are waging in Portugal against the present government's reactionary policy, the greetings message expresses a wish for success in the CPN 27th Congress' proceedings, and states:

"The Portuguese communists will continue to work to insure that the ties of friendship and solidarity existing between the PCP and the CPN will continue to be strengthened on the basis of the principles of Marxism-Leninism and proletarian internationalism.

"The Portuguese communists are struggling and will continue to struggle to insure that Portugal will conduct a policy of peace and friendship with all peoples. Struggling for the intensification of the relations of friendship between the Portuguese people and the Dutch people, the PCP is struggling to insure that relations between Portugal and the Netherlands will develop in the spirit of noninterference in internal affairs, on the basis of the utilization of the mutual benefits stemming from those relations and in the interest of peace and cooperation in Europe and in the world."

CSO: 3101

NEW COMPOUND FOR GOVERNMENT SERVICES PLANNED

Nicosia CYPRUS MAIL in English 7 Jun 80 p 1

[Text] Eleven Ministries and Services will be housed in new buildings in the large compound which now comprises the Ministry of Finance, the Ministry of Interior and Defence and other buildings.

The Minister of Communications and Works, Mr Marios Eliades presented the master-plan of the new buildings at a gathering at the hotel and Catering School yesterday and explained that the project will cost £12 million and will take fourteen years to complete.

The idea for such a concentrated plan dates back to the early days of the Republic when it was found that the government buildings were mostly inadequate and unsuitable to provide a thorough service to the staff and public.

A working group was appointed and in November 1973 the Council of Ministers approved the suggestion of assigning the preparation of a study to architects [Sir Basil Spence, Bonnington and Collins] in collaboration with Cypriot architects J. & A. Philippou. At that time the cost was estimated at £5.7 million.

Shelved

The intervening coup and invasion shelved the matter but with the reactivation of the economy the matter came up again and on 19 November 1978 the Council of Ministers authorised the working group to discuss the matter with [John S. Bonnington Partnership] (successors to [Sir Basil Spence, Bonnington and Collins]) again in collaboration with local architects J. & A. Philippou.

In March this year the final study was assigned to John S. Bonnington and Partnership in collaboration with Messrs. J. & A. Philippou who, together with the appropriate government departments, have prepared a brief comprising the revised housing requirements for the Ministries and Services.

The quantity surveyors appointed are JMV QS Services in association with Davies Belfield and Everest.

The Minister, Mr. Eliades, said that the buildings will ensure better working conditions and thus lead to higher output by the staff as well as reduce hardship to the public. Moreover, they will save costs of operation and maintenance as well as rents now being paid for scattered services.

Care has been taken to maintain and even increase the existing green places, the Minister said.

The Ministries to be comprised in the new compound will be the Ministry of Agriculture and Natural Resources, of Justice, Commerce and Industry, Labour and Social Insurance, Interior and Defence, Finance, Education, Communications and Works, Health, the Public Service Commission and the Auditor General's Office.

Present at yesterday's gathering were officials of the Ministry of Communications and Works, the Director of Town Planning, the Mayor of Nicosia, the Chairman of the Town Planning Authority and others.

CSO: 4920

PROFILE ON DEMOCRATIC PARTY CHAIRMAN GLAFKOS KLIRIDIS

Nicosia CYPRUS MAIL in English 8 Jun 80 pp 1, 2

[Article by John Neves]

[Text] Most of the island's leading political personalities come from humble backgrounds--they are self-made men in a country in which careers are conspicuously open to the talents, irrespective of antecedents. Not so Glafkos Clerides. His father had been one of the first Cypriots to study law in England and later became a Q.C., Mayor of Nicosia, and a member of the Executive Council. He was awarded the M.V.O.

Growing up in the shadow of a father well-known throughout Cyprus and not being subject to the financial constraints from which most other Cypriot politicians suffered in their youth, undoubtedly gave the young Clerides a sense of security he has never lost. He is conscious of being of distinguished upper middle-class lineage, of belonging to a privileged caste, and also of the responsibilities that go with privilege.

It is sometimes said that of all Cypriot politicians Clerides is the one with the most obviously Western-orientated approach, particularly to the Cyprus problem. This is just another way of saying that his background has always coloured his views. It is also said that he was always determined to achieve and if possible to surpass his father's eminence. That, of course, he did during his exceptionally long tenure of office as President of the House of Representatives.

To such a man independence of viewpoint came naturally. On the Cyprus question Clerides has often seemed out of step, but courageously so, and many would say, creatively so. He openly challenges other political forces to oppose him and his [Western] views, and they have not been slow to take up the challenge, as in the 1976 election, when he seemed to have met his Waterloo, being routed by a coalition of all the other major parties in Cyprus.

But he fights on, now a voice crying in the wilderness, taking comfort from the fact that the coalition which defeated him in 1976 are growing increasingly disenchanted with each other, and hoping that the increasing support for his opposition Democratic Rally will be turned to good account in the next general election which will be held on the principle of proportional representation. The claim that those now in power are gradually swinging round to his own views on the Cyprus question is not an unjust one.

Glafcos Clerides was born in 1919. Like not a few distinguished figures in history he enjoyed the intellectual stimulation of being brought up with a very gifted sister. Strangely enough for a future political leader, he did not go to school at first, as his father thought instruction by private tutors better for him. He did not join in the melee of school life till he was old enough to enroll at the Pancyprian Gymnasium.

The debate over the rival forms of modern Greek, [Katharevousa] and [demotiki] raged at the time, and at the age of 17 young Clerides published an article in a newspaper criticising the School Committee for prohibiting the use of [demotiki] in the schools. The result was suspension from school for 15 days. Characteristically, for he has often been at a loss as to what to do in situations where his own strongly held views fall foul of the powers that be, he refused to return to school.

He was in the fortunate position of being able to count on his father's financial support and his father sent him to London to finish his matriculation course at University Tutorial College. His sister went with him.

He had already been interested in politics at school, and was dissatisfied with the political monopoly of the older generation and, of course, the British, especially as it was expressed in the powers of the Ethnarchic Council. Like his father, he believed Cyprus needed a constitution. But it was to be many years before he decided to become active in politics.

He matriculated in London in 1938, and began preliminary tuition in legal studies at Gray's Inn. Had the Second World War not broken out, he would probably have followed the familiar Cypriot pattern of legal studies combined with political interests, possibly writing articles on political subjects, and return to Cyprus to take up a joint career in the law and politics afterwards.

The war seriously disrupted Clerides' career. After volunteering for the RAF, he was trained as a bomber pilot, and was shot down over Hamburg in 1942. He was a prisoner of war for three years, during which time he attempted to escape twice. The first time he let himself down on some sheets tied together from a hospital window near Bremen. He got to Holland, posed as a street-sweeper, but was picked up without papers by Gestapo. The second time the escape was better organised, and he was equipped with forged papers, but he ran into trouble when he got as far

Yugoslavia. His papers said that he was returning to Greece, but the republic of Croatia set up by the Germans would not allow him to travel through its territory and he was picked up, stymied on the Dalmation coast, by a Gestapo patrol who realised that his whereabouts did not correspond with his papers.

The closing years of the war were a time of acute physical exhaustion for Clerides. He was one of 1,000 prisoners earmarked for fettering with chains as a reprisal for the Dieppe raid, and later he took part in the forced march of prisoners of war from Silesia to the French frontier, many of whom died of exposure on the way. By the time he was liberated his health was in a very bad state.

When he was demobbed he needed a considerable time to recover from his war experience, and it was natural that when he resumed his legal studies at Gray's Inn he had no thought of participating in political activities. He had several years to catch up, he concentrated his energies, as he recovered from the state of exhaustion in which the war had left him, on the law.

True to his background he married an Anglo-Indian girl, and equally characteristically, decided to do an LL.B., which meant taking more difficult exams than the customary bar papers, but which would equip him better for the legal that great opportunities were missed in the period 1968-1974. As Greek Cypriot negotiator, he was trying to secure an accord on the establishment of a workable unitary state with wider autonomy in local government, granted in return for doing away with the separate majorities in the House and reducing the employment ratio in the civil service to 80:20. By 1972 he had reached a wide measure of agreement with the Turkish Cypriots. Once again, it was the internal situation on the Greek Cypriot side which foiled his efforts.

After the coup and the Turkish invasion there were no substantive talks with the Turkish side until Makarios' return, and then Clerides found himself batting on an impossible wicket. He was asked to try and secure an agreement on a multiregional federation, which he knew the Turkish Cypriots would never accept. He believes a solution on the lines of a biregional federation would have been possible at the time.

Clerides' arguments for accepting a biregional federation have in the meantime been largely accepted by the Greek Cypriot community but the moment for negotiating on that basis seems to have passed. He himself was driven out into the wilderness by the results of the 1976 general election, in which the three other main parties, backed by the refugee vote, concluded a predatory pact to remove him from the high office and dominant influence in Cypriot affairs he had enjoyed for 16 years.

The 1976 election seemed to have finished Clerides once and for all, but he has fought back, building up the Democratic Rally, and waiting for serious cracks to appear in the front of his opponents. Those fissures seem to be widening daily at present. Is it possible that the Democratic Party of President Kyprianou could be forced to sever its links with the Socialists and Communists and come to terms with the Rally?

It is obviously too early to say, but it is equally obvious that the two right wing parties in Cypriot politics should have at least as much in common as the three parties now represented in the House. The key to the situation is the national issue. How far has the Democratic Party accepted Clerides' wisdom on the Cyprus question? If the answer is a positive one, then we could see a realignment of party alliances between now and the next election which could pave the way for Clerides' return to power.

CSO: 4920

NEW LARNACA HOSPITAL PLANNED

Nicosia THE CYPRUS WEEKLY in English 6-12 Jun 80 p 4

[Article by Angela Dixon]

[Text] Tenders for the construction of Cyprus' first public building designed to withstand earthquakes have now been received, and an announcement as to who will be awarded the contract (estimated to be worth over Cb3.5 million) is expected soon.

The building in question is the new Larnaca General Hospital which, assuming construction starts this autumn as intended, ought to be complete and operational within three years.

The nine-storey building will have 225 beds, five operating theatres, an up-to-date Thalassaemia Unit, modern maternity facilities, with nurseries for both full term and premature babies, an extensive physiotherapy department--vital in surgical and orthopaedic aftercare--as well as modern radiology and paediatric units.

Front-runners among those who have submitted tenders are Fysko Contracting Ltd., Jacovou Bros (Constructions) Ltd. and Charilaos Apostolides and Co. Ltd.

Inadequate

As the Ministry of Health, whose Assistant Director General Mr Andreas Savvas is responsible for supervision of the project points out, the existing hospital--especially since the events of 1974, is now totally inadequate for the needs of the Larnaca District.

With the influx of refugees, principally from Famagusta, the fifty-year-old hospital's resources, already under pressure, have become severely strained. As anyone who has been a patient, employee or visitor there will tell you, it is difficult to park in the grounds, the wards allow little or no privacy, toilets are too few and far between and even the beds are old, if not worn out. With an international airport near the

town a hospital with the most modern emergency features is not only a sensible precaution, it is in fact required by IATA regulations.

Problems

Overcrowding is tough on staff as well as patients, since every task can take much longer to complete than it should. Buildings, many of them, like the Thalassaemia Unit, prefabricated, are not always close enough together, and the necessity--especially in the heat--to expend so much energy in simply getting from one place to another is time consuming and tiring. Even getting in and out of the grounds presents quite severe problems, since the hospital is right on the main Nicosia road close to the centre of town.

With these factors in mind a Belgian firm of Hospital Planners was commissioned to carry out a feasibility study, and to assess the needs of the health service requirements for the Larnaca District as a whole.

The new hospital's design is based directly on their findings. The architectural firms of Pefkios Georgiades, Ektor Stylianides and Alex Gavrielides, who are collaborating on the project with Hospital Design Partnership of London, have come up with an ultramodern plan for the new building which will be sited to the north of the town off the main road.

Functional

The structural engineer is Stavros Ionnides and quantity surveyors to the project are the Nicosia firm of JMV QS services.

Although Pefkios Georgiades says: "We have had to sacrifice some aesthetic flourishes in favour of a building which is functional," a modern hospital's needs are more extensive and so more expensive than almost all other public buildings. Apart from the earthquake-proof structure of reinforced concrete, the fact that wheelchairs and stretchers are in constant daily use has a direct bearing on the number and position of stairs and lifts.

Doors have to be strong and fireproof and yet be able to open at a touch and be self-closing. The constant danger of cross-infection means that floors, walls and furniture must be very easy to keep clean, and therefore of a very high quality.

Sophisticated

Patients arrive at very short notice, and they may require resuscitation or major surgery on arrival, which means that services must be available on a 24-hour basis.

The new hospital will have the very latest and most sophisticated electronic and mechanical aids to diagnosis and treatment. The achievement of an acceptable balance between quality and cost is a large part of the quantity surveyors' task.

Inflation, not only in terms of materials but also of labour, is moving rapidly upwards, and this is one of many factors the quantity surveyors need to take into account. Timber, sand and cement will be obtained locally, but inevitably a great deal has to be imported. A number of economy measures have been incorporated in the design, including the extensive use of insulating materials to conserve heat, and of solar panels.

Staff

Funding for the project is being arranged through the Special Relief Fund for Cyprus under the auspices of the UN High Commission for Refugees, and to date a contribution of US \$7 million has been approved. But the estimated construction costs--even excluding medical equipment and technical installations--is quite likely to exceed this figure.

Although more staff will be needed to operate the new hospital, the staff of the existing hospital will, after a transitional period, eventually all be housed in the new building. Some of the additional staff is available in Cyprus, extra nurses will be recruited from the graduates of the School of Nursing and Midwifery, and the Ministry of Health will also be operating a training and scholarship scheme.

The new hospital is planned to form the apex of a Public Health Service starting at the level of the existing rural health centres and community clinics, with cases needing further investigation or in-patient treatment being referred to the District Hospital.

At the moment Nicosia General Hospital is the only one in the island for ultimate referral in certain cases and one of the principal objectives of the new hospital at Larnaca, therefore, will be to provide another 'apex referral centre.'

As the Ministry of Health points out, the new Larnaca Hospital will in consequence, be able to expand its services, "not only quantitatively but also qualitatively."

CSO: 4920

ECONOMY COMPROMISE IS NO SOLUTION TO PROBLEMS

Copenhagen BERLINGSKE TIDENDE in Danish 6 May 80 p 10

[Editorial: "Spring Compromise"]

[Text] The economic compromise between the government, the Radicals, the Democratic Center and the Christian People's Party is no solution to this country's problems. Over the short term, a limited strengthening of financial policy has been accomplished because of the fact that the agreed-upon increase in the value-added tax goes into effect sooner than the property tax, etc, in the original government plan, which it replaces. On the other hand, the plan amounts to a weakening over the long term because expenditures in accordance with the so-called employment plan, it is believed, will be increased in proportion to what is ordinarily proposed. Furthermore, the fact that there is a lack of agreement in regard to approximately 1 billion kroner of the total of 8 billion kroner worth of proposed savings in the government's budget creates doubt concerning its effect where financial policy is concerned.

The spring compromise does not solve this country's economic problems in any way. The managing director of the National Bank is right in criticizing the inadequacy of the government's original draft. It is natural for adjustments to be made continuously in economic policy since changes in developments in connection with the state of the market make them necessary. However, people now are saying that steps intended to put economic policy into effect are being taken which, even at the time they are being taken, must be regarded as entirely wrong by all neutral experts when considered in relation to the gravity of the existing economic problems.

A number of small bourgeois parties are now agreeing upon a compromise which, in a year and a half, will make their own parliamentary existence secure. The fact that the large opposition parties, the Liberal Party and the Conservative People's Party, refrained from adhering to the entirely inadequate policy which was agreed upon must be hailed with satisfaction. The fact is that the spring compromise is so wretched as far as its content is concerned that Denmark still is heading for a balance-of-payments deficit of about 25 billion kroner in 1984. Regardless of whether more

increases in the price of oil will come from the OPEC cartel later in the year, the spring compromise will necessarily have to be replaced by a fall compromise, and if that compromise is up to the standard set by the one just entered into, a Christmas compromise will also be necessary after that. It is a good thing that the Liberal Party and the Conservative People's Party rejected the bankrupt line and want to build up an alternative to the Social Democratic policy which now has been agreed to, instead.

Since it is a real Social Democratic policy, an attempt should be made to get it passed in the Folketing. An increase in the value-added tax, apparent savings, tax increases and subsidies to business concerns and politically favored projects--that is a policy which has been tested in a double-digit number of compromises since the economic recession of 1974.

The Liberals and Conservatives, together and by turns, have been involved in something like that many times. Fortunately that was not the case this time.

9266

CSO: 3106

JORGENSEN HOPES ECONOMIC COMPROMISE ENDS ELECTION THREAT

Copenhagen BERLINGSKE AFTEN in Danish 9 May 80 pp 1, 2

[Excerpt from article by Lasse Ellegaard: "Government Wants to Avoid an Election at Any Price"]

[Text] The so-called minicompromise among the Social Democratic Party, the Radical Liberal Party, the Christian People's Party and the CD [Democratic Center] which was arrived at on Monday will have a certain, limited effect upon the economy, but no one thinks that adjustments should not be made as early as this fall. The compromise was arranged because Anker Jorgensen considers it politically important to keep control of the government, even if that means that traditional Social Democratic points of view have to be forced through by the bourgeois parties participating in the compromise and even if that means that the entire portion of the population owning automobiles and single-family houses with gardens is actually spared the worst effects of those adjustments.

During the period when the compromise was being negotiated, which now is over, the Social Democratic government got into a peculiar situation in which it had to defer to traditionally Social Democratic points of view advanced by the Christian People's Party and the Radical Liberal Party members. That was the case in areas such as assistance to developing countries, child allowances and the adjustment of retirement pension income, which consequently came to nothing.

At the same time, the government has to receive stiff criticism from its own ranks because the Democratic Center succeeded in preventing any Social Democratic ideas from being embodied in the results of the agreement among the four parties where the portion of the population owning automobiles and single-family houses with gardens was concerned. They were protected against an increase in the tax on motor vehicles according to weight and an adjustment in the right to deduct for assessment purposes the amount of interest paid during the previous year, as well as an increase in rental values--all elements which were included in the government's original project.

The compromise is regarded by prominent Social Democrats as resulting from the fact that Anker Jorgensen did not want an election and that he assigns a

higher political priority to keeping control of the government--that is, continuous administration of the community--than to a political rough-and-tumble over methods and means of getting through the prevailing economic difficulties. That could be a rough-and tumble which would result in the party's spending a longer period in opposition.

Politically, the situation is assessed as follows: the Liberal Party and the Conservatives are isolated for a while, and the three smaller parties which have agreed to the compromise--especially the CD and the Christian People's Party--have scored points in the internal bourgeois competition for the favor of the voters. The Liberals and Conservatives desired more vigorous economies than the 8 billion plus 1 billion kroner which had resulted. In return, the two large bourgeois parties had agreed to an increase of 10 percent for rental values. Such an increase was dropped, and it is the prevailing opinion that the government did not play effectively enough on the small parties' fear of an election but yielded too quickly and too much, instead.

9266

CSO: 3106

SOCIAL MINISTER'S PLAN AIMS MORE AT EQUALITY THAN SAVING

Copenhagen BERLINGSKE TIDENDE in Danish 10 May 80 p 10

[Editorial: "Social Income"]

[Text] Social Minister Ritt Bjerregaard's bill concerned with social income is a link in the government's proposal regarding economizing in the spheres of the Social, Educational and Housing Ministry. However, when she introduced the bill, the minister emphasized the fact that the government's primary interest, where this bill is concerned, is not retrenchment but obtaining a greater amount of justice and an arrangement that is easier for the citizens to grasp. The concept of justice, indeed, is one whose nature is rather subjective. In a Social Democratic politician's mouth it is ordinarily equivalent to great equalization and leveling, and consequently also to a weakening of economic incentives which may be important. We have seen examples of that most recently in developments in connection with the maintenance allowance system, back pay arrangements and changes in the taxes on property. Therefore there are grounds for a very careful, critical consideration of the social minister's proposal.

In that connection, it is obvious that, among other things, the Social Democratic bill has not been considered fairly and thoroughly by economic and administrative experts. The statement which was sent out earlier by a Social Ministry team contained a passage in which various particulars in regard to the establishment of the concept of social income were gone into. On the other hand, a consensus on the effects of a reform of that type on the correlation between taxes and social disbursements depending on income, for example, is lacking. The thoroughgoing work performed earlier by a committee revealed entirely unsatisfactory conditions, in that field, for a large number of families with lower medium incomes. Conditions of that kind have resulted from piecemeal legislation which was carried out in the light of a corresponding primitive "regard for justice" like that which Ritt Bjerregaard is now making use of to sell her concept of social income. There is need for a thorough debate on social income in which experts who are independent of the ministry will participate, too.

Moreover, the fact that the whole thing should be easier for the citizens to grasp if they now are also to be provided with a social income in addition to their taxable income is something that is not easy to comprehend. The purpose of the taxable income--together with the tax obligation on property--is to indicate what financial means the taxpayer has. If it is believed that there are deficiencies in that respect, the reform effort must move in the direction of changing the taxable income obligation. In view of the greatly varying quality of the taxable property obligation, it is questionable, for example, whether they can be pulled into social income in the way the minister is proposing. It is scarcely "just" to make use of her own language now. As is well known, the social administrator has already rejected the social minister's new concept of income. The Folketing should at least postpone a reform in that area until a thorough, expert analysis of it is available.

9266

CSO: 3106

JORGENSEN MUST SEEK NEW CRISIS LAW IN A FEW MONTHS

Copenhagen BERLINGSKE TIDENDE in Danish 9 May 80 p 8

[Article by "G.A.": "On the Way to the Next Compromise with a Solid Majority in the Folketing"]

[Text] The parties in the Folketing expect that not just the current crisis compromise but also the next one--which may become necessary in a few months--will be put through by the newly-created solid majority of 90 members (Social Democratic Party, the Radical Liberal Party, the Democratic Center and the Christian People's Party). Those 4 parties regard that as something positive, but they would also like to have the support of the Liberal Party and the Conservatives next time. The opposition says that the government has created a political safety net for itself which theoretically can survive election periods--that is, can last until the fall of 1983. But the problems have not been solved, and the policy which is being pursued is wrong and inadequate, the opposition on both the right and the left says. The compromise does not help with employment and the balance of payments, the savings are too small and the tax increase is harmful. These views characterized the debate in the Folketing yesterday.

Ole Esperson (Social Democratic Party), who opened the debate, deprecated the fact that people were saying the compromise had no prospect of success. The four parties had shown that they could get the Folketing to function. What would have had no prospect of success, on the other hand, would have been the holding of a Folketing election now.

Henning Christophersen (Liberal Party) regarded the net result of the efforts of the parties participating in the compromise as an extremely modest strengthening of state finances, but, when seen from the economic point of view, as a terribly poor result which would not make any substantial contributions to the solving of existing economic problems. The government had chosen to make use of the majority, as the most extensive one it had, for its own policy. That was the equivalent of being found wanting at the decisive moment. Poul Schluter (Conservative People's Party) did not want to be a party to the giving of approval to a Social Democratic policy which would mean that Denmark would continue to totter along the edge of the abyss.

Schluter thought that the compromise would increase the costs of business enterprises by 3 billion kroner in any case, with at least 1 billion kroner of that being due solely to the increase in the value-added tax.

Old Maisted (Progressive Party) also contended that the increased taxes and duties would only increase costs and cause more unemployment. The government's "Easter egg" did not solve any problems. There was nothing else that could be done but to undertake public economy measures and give tax relief.

Ebba Strange (Socialist People's Party) characterized the compromise as traditional bourgeois policy presented by a Social Democratic government. It was a policy of redistribution which was advantageous for the "haves" and disadvantageous for the "have-nots."

Niels Helveg Petersen (Radical Liberal Party) asserted that, with the majority of 90 supporting the new compromise, it was possible to govern in the economic area without using a varying majority, but the Radicals also wanted efforts that were as extensive as possible to be made to involve the Liberals and the Conservatives in economic policies.

Arne Melchior (Democratic Center), too, wanted to have the Liberals and Conservatives involved again. What was crucial was not when the next round of crisis discussions would come but who would be involved in them.

Preben Vilhjelmsen (Leftist Socialist Party) thought that the Social Democrats had done everything possible to please the Liberals and the Conservatives. Nevertheless, if the four-party compromise had not been arranged, the only reason for the failure would have been that the great obligingness which had been demonstrated had driven the two parties crazy.

Chr. Christensen (Christian People's Party) said that a basis had been laid for putting on the brakes on the way to the abyss, anyhow. There was a possibility of expanding the circle of parties to the compromise when the next adjustment would take place.

Ib Christensen (Single-Tax Party) stated that the compromise, which was based on a scraped-together group of reluctant Folketing representatives, could be replaced by varying, but considerable, majorities--some concerned with the national land tax and some with various government proposals.

Prime Minister Anker Jorgensen thought that the debate had been unusually dull and elaborately blown up in importance, but that was simply due to the fact that the opposition had a very realistic impression of the reasonableness of the compromise.

The single crisis law bill will have its first reading today.

9266

CSO: 3106

GOVERNMENT PICKS NEW WHEEL OF POWER

Copenhagen BERLINGSKE TIDENDE in Danish 4 Feb 80 p 0001

[Article by Solveig Roedsgaard]

[Text] He can best be compared to a rubber ball, which, in spite of numerous submergings, will always come up to the surface again. Economics minister, Ivar Norgaard, has in spite of self-inflicted wounds, been able to survive in political life. And in spite of several predictions of failure, he has now, all of a sudden, put himself in the most powerful position of his entire life. In the position of economics minister and the only one of the old guard of economists in close touch with the premier, he will be called upon to assist planning the government's course.

The quarreller, par excellence. The theoretical socialist. The man no one can completely approach. The man who has always gone his own way. The man who is sometimes considered disloyal by his own party.

These are some of the descriptions used in connection with political candidate Ivar Norgaard. To this should be added that he is close to being named Danish champion in sending up political trial balloons. These are made by his own statements which quite often will inconvenience his colleagues, or, by having others handle the balloons, after clever preparation by Ivar Norgaard.

The government's plan to have money from insurance companies, pension funds, etc transferred to industry investments, was aired last week by Ivar Norgaard during a dinner with managers of the National Bank. The minister's suggestions were received somewhat like jokes, to augment the jolly mood of the party. The following day, the minister's thoughts were repeated at a press conference and, to the great surprise of the dinner guests, Norgaard played a very active hand in formulating the government's economic plan. Since he left the ministry of environment, he is concentrating entirely on the job as Minister of Finance and brings his economic experience together with his economic theories to the Prime Minister. Members of the party, who are not necessarily his friends, make no secret of the fact that, since the departure of Mr Knud Heinesen from the

government Norgaard now has a good chance to get his personal thoughts and ideas realized. It has been no secret that Norgaard and Heinesen do not see eye-to-eye on economic matters.

"Ivar is a zero-growth philosopher and otherwise a follower of devaluation," as it is called.

Ivar Norgaard has always maintained a restrained relationship with Prime Minister Anker Joergensen. The personal feelings between them have hardly changed. Anker Joergensen, however, does not close his eyes to the fact that for the time being, Norgaard represents a political power which must be taken into consideration.

In spite of all this, it should be noted that the prime minister himself has played a part in this matter, by appointing Norgaard to be Economics Minister and, besides, always kept him in various ministerial positions. This, probably from the assumption that it would be more dangerous to keep the man outside the government--than within.

The 57-year-old Norgaard was one of the reasons why cooperation between the Social Democratic Party and the Liberal Party in the Social-Liberal Government did not work without friction. The Liberal Party felt that Norgaard was disloyal and capable of overturning a discussion in the Social Democratic parliamentary group, so that agreements between the Socialists and Liberals, already made, would be abolished.

Some Social Democrats believe that the combination of ministers in the government's important policymaking committee, with, among others, Anders Andersen and Knud Enggaard on one side and Ivar Norgaard on the other, amounted to the same thing as throwing a red cloth into a bull pen. The two Liberal ministers and Ivar Norgaard did not get along well, to put it mildly, a fact which was not missed by the rest of the members of the policymaking committee.

The formation of the Socialist Liberal government in August 1978, was definitely not to the liking of Norgaard and his political opponents in the Social Democratic Party make no secret of the fact that Ivar Norgaard, together with Erling Jensen, "steered" the Danish Federation of Trade Unions race and intended to oust Anker Jorgensen.

Norgaard was appointed minister for the first time in 1965, when Jens Otto Krag brought him over from AKTUELT, where he served as a political editor, to work in the Economics Ministry. Since that time, Norgaard has served in all Social Democratic governments, as Economics Minister, EC Minister, Foreign Trade Minister, Minister for Nordic Affairs, Minister of Trade and Environment Minister.

He has consequently participated in public debates, in a wide range of subjects, like the EC, zero growth, atomic energy, economic democracy and about food coloring. As to the EC, no one is in doubt about his great knowledge and experience. When it comes to atomic energy, no one has any doubts about his reserved standing.

But his participating in the debate, has also often brought opposition from members of his own party. As Foreign Trade Minister, he clashed from time to time with Foreign Minister K. B. Andersen. On the economic front, there were internal clashes with Per Haekkerup.

During the Liberal-Conservative-Radical Liberal government from 1968-71, Norgaard served as instructor in national economics and statistics at Denmark's College of Management. During the government of Hartling, he was an ambitious parliamentarian for the EC and vice president for the EFTA parliament.

The Minister's Money

But Norgaard is also described as "the joyous son of nature," as an appreciated participant in festive company, that he possesses a distinctive sense of humor and irony, that he is a good story teller and furthermore well liked at Christiansborg. He plays ping-pong with, among others, his opponents in the Parliament gym when he has the time.

He treats money in a legendary manner. "He is almost a tight-wad," as it has been put bluntly. So his ministerial colleagues were surprised when the state auditing department in August 1979, upon examining travels by ministers, criticised that Ivar Norgaard during an official visit to Iraq, had spent Kr. 1304 in tips for the benefit of accompanying security guards.

"What the dickens. We have never before experienced that Ivar has not managed to have others pay his bills," remarked the other ministers somewhat maliciously.

One minister recalled a bet he made with Norgaard. The price was to be a bottle of Aqua Vite. "I can't recall what the bet was all about, but Ivar lost and I was not surprised when he paid off with only one half bottle," according to this colleague.

Even if Ivar Norgaard thus is watching his money, he possesses a passion which can be expensive. He is a gambler, but he wins most of the time. It makes no difference whether he plays the horse races, or at the card table, where the stakes are high. Gambling alone does not devour all his spare time. Together with his wife, Sonja, he finds time to walk his dog around Nydamsvej in Bagsvaerd.

It is uncertain if Norgaard will slow down politically upon completion of service to the present government. But no one is doubting that if he should do this, he would take into consideration the monetary aspects of the situation; that altogether he has served as minister for such a long time, that he can retire with the maximum ministerial pension for the rest of his life. At the present time, this would amount to 125,000 kroner annually.

FOREIGN POLITICAL EXTREMIST GROUPS IN FRG SURVEYED

Bonn DIE WELT in German 20 May 80 p 3

[Article by Heinz Vielain: "'Paradise in Shadow of Sabers'"]

[Text] The FRG is increasingly becoming the battleground for foreign political extremists. Turks, Palestinians, Croats or Irishmen are intensifying their bloody battles on German soil. Frequently, foreign secret services are involved, whenever there are casualties, dead and wounded. The Federal Office for the Protection of the Constitution just handed to the Bonn government an alarming secret report about the activities during the first few months of this year among radical groups of many nationalities.

Until 1978, Omran El Mehdawi, who was shot to death 10 days ago on a street in Bonn by one of his countrymen, was not only financial attache at the Libyan Embassy. The smart diplomat with dark horn-rimmed glasses was also working for his country's secret service: He was chief of the spy apparatus in Europe. Expelled by Col Qadhdhafi, Mehdawi supported the opposition against the dictator in Tripoli from the FRG. He was supported in his efforts by Libyan exiles in Germany and other West European nations.

Since the arrest of the killer, a staff employee at the Libyan Information Bureau, the security authorities are expecting additional assassination attempts against Libyans in the FRG. Results of recent investigations are justifying the fear that the scenery of foreign extremism on German territory is now being enlivened by feuds between rival Libyan political groups.

When Omran El Mehdawi was gunned down with a 38-caliber Smith and Wesson revolver in the middle of the street after talking to a flower vendor, the Federal Office for the Protection of the Constitution had just handed to the Bonn government a secret report containing alarming references to increasing activities by foreign extremists on German soil. It begins with information about contacts between Palestinians who are agitating in the FRG and partisans in Paris who had just shot and killed Youssef Moubarak, director of the Librairie Arabe, when he left his apartment. It also shows

possible connections to terrorists in England who on 17 January had placed two bombs in the London hotel "Mount Royal," which exploded and killed one guest.

Increasing Activities on 'Turkish Front'

Protectors of the Constitution are reporting, above all, about the Turkish front as well. On 5 January, during a scuffle in Berlin between rival groups the leftwing extremist Celalettin Kesim was stabbed to death with a knife. In addition, several people were injured during the brawl. The consequence was a demonstration by Turkish leftwing extremists, and approximately 8,000 guest workers and students participated. Only the presence of a large number of policemen could prevent a riot.

At an earlier date, explosions damaged the Cologne building of the Federation of the Democratic Turkish Idealist Union in Europe. A leftwing group was responsible for the act, the Turkish People's Liberation Party/Front. Finally, people were injured during a mass brawl between Turkish extremist groups in Balingen, Baden-Wuerttemberg; among the participants were the "Gray Wolves." Thirty of the participants are currently under investigation for disturbing the peace and attempted murder.

Meetings and congresses of individual groups produced information about the growing number of Turkish extremists. Approximately 350 persons were present at a meeting of the Federation of Turkish Labor Associations in the middle of February in Duesseldorf. The first congress of the Confederation of Turkish Students Abroad was attended by 500 delegates. Among the newly formed Turkish political organizations that have gained notoriety in the FRG is the association "Revolutionary Way." It maintains approximately 50 suborganizations with 4,500 members. The group is supporting the Turkish People's Liberation Party/Front, which established 13 member associations.

Even religious organizations are among those Turkish extremist groups which, to some extent, get regularly involved in FRG domestic affairs; at times they are assisted by the German Communist Party. In Bremen, the orthodox Islamic National Auxiliary Party has called for a "holy war": "Paradise is in the shadow of sabers." On 31 January a federation of "Islamic Associations" was formed in Berlin. At least 300 persons participated in the organizational meeting.

There have also been casualties among the Irish and Yugoslavs in the FRG. The Irish Republican Army (IRA) continued its acts of violence on German soil. On 16 February, the British Col Mark Coe was shot to death in Bielefeld. On 1 March, IRA marksmen fired at two British military policemen, one of whom was seriously wounded. Finally, on 19 March, an English soldier was gunned down while long-distance running. So far, findings indicate that the terrorists entered the FRG each time to commit the acts of violence. The Protectors of the Constitution have proof that they receive support from organizations in the FRG.

The most spectacular incident involving Yugoslavian terrorists: On 11 January, the exiled Croat Nikola Milicevic was found shot to death in the parking lot in front of his house. He was one of the exiled Yugoslavs, whose extradition had been demanded in May 1978 by the Yugoslav Government.

In spite of the fact that the group was banned, the Croatian National Resistance is operating in the FRG. Information that has been secured reveals that this group is continuing its call for an "underground struggle against Yugoslav establishments in the FRG."

There are also reports of activities by the Croatian National Council. It has around 1,100 members in the FRG. Already in January, it announced "new measures" in case President Tito should die. OTPOR, the magazine for Croatian emigrants, publishes rules for conspiratorial conduct of Croatian "freedom fighters" in the FRG.

The VOICE OF THE PEOPLE speaks in 10,000 Copies

Afghans: On the occasion of the Soviet occupation of Kabul, Afghan students occupied the embassy of their country in Bonn. According to findings by security authorities, the occupants belong to the Islamic Association of Afghan Students in Europe (IAAS) and the United Islamic Student Association (UISA). In conjunction with left-wing groups, these organizations also demonstrated in front of the Soviet Embassy in Bonn, at which time the police had difficulty preventing them from entering the building.

On 7 March, there were plots against the Consulate-General in West Berlin and against the Frankfurt office of Aeroflot, the Soviet airline. Responsibility for these plots was claimed by the organization "People Mojahedine Afghanistan," about which nothing was known in the FRG until that date.

Investigations revealed that this institution had also planned plots against the USSR Embassy in Bonn, the Permanent Representation of the GDR and against the Afghan Embassy. They could not be carried out because German security authorities had received prior warning.

Baluchi: Of late, a National Liberation Union of Pathans and Baluchi (NLUPB) has also become active in the FRG. The left-wing extremist organization has its seat in Frankfurt. It is considered a puppet of Moscow and maintains suborganizations in France, Denmark, Sweden, Holland, England, the United States and Bulgaria. The official publication of this association is STIMME DES VOLKES [VOICE OF THE PEOPLE]. Its circulation is 10,000 copies.

Iranians: Especially active is the Confederation of Iranian Students (CIS) which consists of a total of approximately 30,000 members, many of whom are in the FRG. During a congress in Tehran, which was also attended by representatives from Berlin, Hamburg, Kiel, Cologne, Goettingen, Mainz and Frankfurt, the organization prepared for new activities abroad.

The Moslem Brotherhood--it supports without reservations the policies of Khomeyni--wants to expand its network of information in the FRG. During a meeting in the Bilal Mosque in Aachen, the decision was made to support the fight for the Islamic movement in other West European countries with conspiratorial acts. In the meantime, power centers of the brotherhood have been established in Karlsruhe and Stuttgart.

Moroccans: The Marxist-Leninist oriented Moroccan Labor League wants to organize the 32,000 Moroccans living in the FRG. The organization--it maintains contact with the Popular Front for the Liberation of Palestine--has its main seat in Duesseldorf. Recently it took part in a meeting in Amsterdam of oppositional Moroccan groups from Holland, France and Belgium.

Greeks: Especially active is the League of Greek Communists in the FRG and West Berlin, in which the communists have a majority. During a congress in Cologne, the Communist Party of Germany distributed pamphlets for foreign workers. Primary objective: Political equality of guest workers with their German colleagues. During a meeting in Essen it was announced that for the time being acts of protests would continue for the intensification of international cooperation "in the spirit of proletarian internationalism."

Italians: The right-wing Italian party "Movimento sociale Italiano--Destra Nazionale" succeeded in its efforts to establish a branch organization in the FRG. In recent months, provisional party bases have already been established in Munich, Nuernberg and Stuttgart. The establishment of branch offices in all the other FRG Laender is planned for the next few days. For a long time, right-wing extremists--like the communists--have been involved in subversive activities among Italian guest workers.

Spaniards: The Spanish Communist Party (PCE) already maintains in the FRG 59 local groups with approximately 1,200 members. It has already conducted several meetings to mobilize Spaniards living in the FRG to support their own goals. Their primary objective is the right of foreigners to participate in local elections.

8991

CSO: 3103

GENERAL CRITICIZES OVERTECHNICALIZATION OF BUNDESWEHR

Hamburg DER SPIEGEL in German 16 Jun 80 pp48-55

[Article by General Franz Uhle-Wettler: "Who Will Dislodge Enemy from Rhen ? - Bundeswehr Unsited for Its Task"]

[Text] The German Bundeswehr has become too highly mechanized and thus not fully suited for defense. In fact, its Leopard tanks and Marten armored personnel carriers have turned it into an offensive force. The following are excerpts from a just published study* by Brigadier General Franz Uhle-Wettler, tank brigade commander and, as of 1 October, chief of planning at SHAPE, who has stunned the Bundeswehr leadership by coming up with these findings.

Every military man knows that the organization as well as the armaments and other equipment of a fighting force must be keyed to its likely assignments and to the terrain of its probable area of operations. Germany, however, is a country of many secondary mountain ranges which render our highly mechanized units immobile or rather, restrict them to paved and unpaved roads.

In addition, almost one-third of the area is covered by woods, which restricts the mobility of mechanized units even further and severely limits the visibility and effectiveness of flat trajectory weapons.

*Franz Uhle-Wettler "Gefechtsfeld Mitteleuropa, Gefahr der Uebertechnisierung von Streitkraefte[n]" [Battleground Central Europe, Dangers of Overtechnicalization of Armed Forces] Bernard & Graefe; 172 pp; DM 12.80

And, every square kilometer of the area contains an average of one village of 230 inhabitants, living in solid stone houses unlike those in Russia.

Every battle in Germany would inevitably turn into a battle for villages and woods and, often enough, into one for secondary mountain ranges. This being so, it raises a number of urgent questions:

First: An attacking Bundeswehr unit usually is under orders to advance "without regard to any enemy units still holding out." This is proper procedure and corresponds to World War II practice.

But in those days strong infantry forces followed on the heels of attacking armored units and overpowered whatever enemy troops were still holding out-- quite apart from the fact that the infantry component of large-scale mechanized units was a good deal stronger then. Today, there is almost no infantry component among the followup units, if, in fact, the latter appear at all.

But who is to mop up the vast wooded stretches of the heath under cover of which the enemy can mount repeated attacks against artillery units moving up, against headquarters, supply units and supply depots ?

Who is to clear the hedgerow country of Schleswig-Holstein and the innumerable villages, towns and industrial areas in all parts of Germany ? Who will dislodge the enemy motorized infantry units from the forests of the Rhoen, the Steigerwald and the Rheinhardtswald which armor would not dare enter without massive infantry support ?

Second: In defense exercises, positions are preferably situated in open ground or at best in a "narrows" between villages and woods.

That is where they should be, since our forces have been trained in far-reaching flat trajectory fire, a potential which can only be employed in open terrain.

The term "narrows" is both revealing and false. It signifies that we are in the habit of misjudging the terrain covered. Even a mechanized enemy is in a position to move right through our villages and woods as long as we neglect to bring in a strong force to oppose him.

There, he will also be protected from our long-range flat trajectory fire, above all from our guided anti-tank rockets and our anti-tank helicopters. No lesser authority than Moltke warned more than a hundred years ago: "The smaller the chance of success for a frontal attack, the more likely the enemy will attack our flanks...To have the flanks about generally covered and difficult terrain will no longer do, since the enemy will have to look for this very type of terrain."

What, then, is likely to happen, if the enemy decides to by-pass the narrows, which are not narrows in a real sense, at the very latest once he realizes that he cannot make a frontal advance through the "narrows."

What happens, if the enemy uses strong forces in his advance through the woods and villages? What happens, if the enemy comes to accept in 1980 or 1990 the truth of Moltke's 1865 dictum? What is then to keep the enemy from employing tactics which the Russian army repeatedly employed in World Wars I and II and which brought amazing success to the North Koreans-- and not to them alone?

Is it not a fact that three German armored corps went straight through the Ardennes in 1940, a terrain poorly suited for mechanized warfare but which was easily penetrated because it was not properly defended?

On that occasion, two factors contributed to one of the most brilliant victories in the history of modern warfare: the wrong assumption on the part of the defender that the mechanized attacking force would shun covered terrain and the decision of the attacker to make use of this very terrain because it was not properly defended.

Are we willing and able today to defend covered terrain adequately? Do we have troops at our disposal that we can use in villages, industrial areas, woods and in the secondary mountain ranges? Which one of us is capable of holding the Hessian Bergland, the Spessart, the Odenwald, the Frankenswald or the Fichtel Mountains in night-time operations?

The villages, the woods, the mountains and industrial areas are much too large for us to leave them to the enemy without a fight; the enemy would simply out-march us. But, should we work out plans to use what mechanized units we have --a few Martens and a good number of Leopard 1's or even Leopard 2's in village and woodland warfare?

Third: The Hamburg city limits encompass a built-up area of 180 square kilometers. If an armored infantry division attacked a city of this size, it would not even be permitted to lose 10 soldiers per square kilometer --usually equivalent to thousands of houses-- if the aim was to have just one soldier left upon reaching the other end of town.

Afterwards, it would have to be pulled out in any case because of its heavy losses. But what is a division to do, if engaged in combat in a big city ?

To be sure, out of consideration for the population we will be trying to avoid combat in the large metropolitan centers. But, there is a limit to that. What is a brigade to do, if called upon to fight for towns and industrial centers of the size of Wolfsburg and Peine or the Volkswagen Works or cities such as Fulda, Goettingen, Schweinfurt or Hof ?

The concept of "mobile strategy" is not an adequate response to these questions. It would become no more than a catchword otherwise. Strategy can no longer be called mobile, if it must turn its back on almost 30 percent of German territory because of forests and another 11 percent because of villages.

The defender cannot leave these vast areas out of his considerations and the attacker cannot circumvent them all. Mobile defense strategy calls for denying an enemy advance through large stretches of covered territory. Otherwise, the enemy would soon reach our artillery positions, our headquarters and would be able to attack our combat troops from the rear.

In the last war, enemy defenders often gave up villages and forests without a fight. They did not leave infantry units behind which might cut the supply lines of the German armored spearheads.

But in those days the enemy knew that such units would soon come under attack from our troops and would in time be destroyed.

Today, the enemy no longer need fear such an eventuality. Units by-passed by a major counterattack by mechanized German units would be as safe as in their mother's arms, if they were located in any good-size forest or village; no one could possibly harm them.

In the last war, the enemy often mounted its armored thrusts in open terrain. There is a simple reason for this: Our strong infantry units denied him the use of covered terrain.

Things are different today. The rifleman battalions we had intended to use in covered terrain are being dissolved; they were not too well thought-out in any case.

But armored infantry is not fully suited for combat in covered territory by any means. A good deal of their potential is based on the mobility of the "Marten" personnel carrier and on the anti-tank rockets.

In a forest, however, the guided anti-tank rocket cannot be used. That leaves the Marten's 20-mm cannon and the firepower of the five-man crew and the squad leader. They are the ones to mount the defense.

Based solely on arithmetic and linear deployment, such small groups would be positioned at intervals of 120-150 meters--with nothing to back them up except a small headquarters, a field kitchen or field hospital here and there. Thus, enemy attackers and defenders need not shun the covered terrain favorable to infantry units any longer.

If he is attacking, he can push through at that point. And if he is defending, he can move into these areas and try to cut off the advance of any units following in the wake of the first attackers.

In certain narrowly confined areas, such as between Hanover and Brunswick or between Paderborn and Unna or around Schweinfurt, this would pose no danger. These are areas of few woods and isolated villages in the midst of open terrain which can be controlled by armor.

In other parts of Germany, which are at least as large, such a tactic would make it necessary to move into the covered areas. But to do this, our armored infantry units are much too weak.

Soon the Bundeswehr will have no other infantry units at its disposal any more. But it is open to question whether we really want to make a practice of using our Leopard units for actions in villages and forests.

One critical aspect of our defense capability is the drastic reduction in the number of combat soldiers. It is but part of the price mechanized armies have to pay for the advantages of technicalization.

Another important aspect is the qualitative deterioration of the personnel which can be assigned to these smaller-sized combat units. This is most noticeable among the armored infantry and still noticeable among the tank crews.

The decline in the quality of the combat soldiers is most clearly visible in the I.Q. scores for which measurable scales and numbers are readily available.

To be sure, intelligence alone cannot be viewed as the factor determining a soldier's combat efficiency. But the demands of modern combat and of some modern weapons are not as readily met by blockheads as by intelligent soldiers capable of absorbing training information more easily and thoroughly.

When the conscripts are mustered in, they are given an intelligence test. Slow learners come out with an average score of 5.43; nine-year elementary school non-graduates and graduates respectively have scores of 5.11 and 4.35; secondary school graduates wind up with 3.05.

These scores play an important role in assigning draftees to the various branches of service.

Draftees with particularly poor scores are under no circumstances assigned to the Border Police or the Navy and the Air Force hardly ever accepts any of them. Only the Army will take them on.

Like the other services, the Army, too, has established the I.Q. scores required for every function, including loaders and medics all the way up to radar operators.

As is to be expected, high demands must be met by soldiers assigned to rear echelon functions such as telecommunications and headquarters duties. Which means that the "blockheads" are assigned to the Army, above all to combat units and more specifically to the armored infantry.

Those attaining a score of only 4.6 may still be assigned as loader on a tank, which means fulfilling a task that has long since been taken over by a machine on some tanks. Those who are even "dumber," merely attaining a slow learner's score of 5.4, can only be assigned to the engineers or the armored infantry.

Even soldiers who only attain a score of 5.8 may "normally" be assigned to these services-- which means that the Army quite officially gets the least intelligent draftees.

But this negative selection makes a mockery of the purpose for which the armed services were designed. There is, after all, one single goal to be met by the entire leadership and supply structure of a modern army from the defense ministry on down to the territorial army and the individual company sergeant: to give proper training and make proper use of the infantryman, of the tank, the armored personnel carrier and the artillery, to employ all these as a deterrent force and to introduce them into combat effectively.

Our Army's purpose manifests itself not in headquarters operations, in the officer corps, in logistics or in the ministry --important as they are-- but in tanks, infantrymen and artillery.

The entire rear echelon apparatus, the shaft of the spear, to which the best of our draftees are assigned, loses its meaning and its *raison d'être*, if the tip of the spear is blunt.

NATO has been trying for some time to raise 30 divisions, including 12 German divisions, for the defense of Central Europe. This target figure may have been based on the widespread notion that there is a chance for successful defense even if the ratio of forces stands at 1:3.

World War II seems to confirm this theory. Many defense battles in the East and the West ended in defeat for attacking forces enjoying threefold and fourfold superiority. But this superiority did not exist along the entire eastern or western front but only in narrowly defined areas.

In the fall of 1943, belief in a successful German defense was based on the false assumption that a 1:3 ratio is even good enough in an extended area of operations. But by the time Colonel-General Jodl cited these figures, the entire German eastern front had already begun to give way.

Despite the valor of the troops and the skills of the command establishment, the advance could not be stopped before it reached Berlin.

The great German offensives, too, refute the popular theory that hopes for a successful defense still exist even in case of threefold inferiority. In the French campaign, the German Wehrmacht, it is true, went into battle with air superiority (of about 3000 as against 2000 planes) and with an edge in armored warfare tactics. But the number of divisions on both sides was about the same. In addition, the Allies had strong, personnel-saving fortifications at their disposal.

They clearly had more and better tanks: some 3000 cannon-equipped tanks were ranged against 1200 such tanks on the German side and another 1500 German tanks equipped with machine guns or 2-cm cannon which made them unfit for armored combat.

Even at the start of the eastern campaign, the Russians were vastly superior. As for Rommel, he won all his victories against an enemy superior both in numbers and the quality of his materiel.

The history of war offers a great deal of proof for the fact that very decisive victories can be won in equal strength situations or in cases where the attacking force is cast in the role of an underdog. Of course, faulty command decisions on the enemy's part have often been an important factor, too.

But for now it is not clear which alliance is better run-- NATO, whose members are not always of one mind, or the Warsaw Pact, whose forces are much more tightly organized.

But, to base one's judgment on the fact that the enemy's command skills are not what they ought to be would fly in the face of all reason.

Even the fact that we have nuclear weapons cannot justify the existing ratio of 1:3 or worse. The enemy, after all, also has nuclear weapons.

In addition, if combat took place on NATO territory, he could use them much more ruthlessly than we. But above all it is not clear whether nuclear weapons work to the advantage of the attacker or the defender.

The idea that defense can be successful despite a 1:3 inferiority only applies in limited situations, such as battalion, brigade or more rarely division-strength engagements, which do not allow the enemy to operate.

The attacker has the strategic initiative which NATO must concede to him for a variety of reasons. In addition, the weakness of NATO protects him from any pre-emptive strike.

The attacker, superior by a 1:3 ratio overall, may accept equality of forces in large zones or even inferiority.

Wherever he wishes to bring about a decision, he can build up any degree of superiority he chooses until he has filled up that particular zone. Sooner or later he will effect a breakthrough and cause whole sectors of the front to collapse--which happened time and again between 1943 and 1945. Given the power ratio in Central Europe under present peacetime conditions, after mobilization of both sides as well as after full deployment, the hopes of conducting a successful conventional defense are nil.

But above all there is no way NATO can even reach its modest target of establishing a general power ratio of 1:3. And far and wide there is no one to supply additional forces to us.

Which makes for an unreal situation: It will be no easy task for the conventional forces of NATO to secure sufficient room for negotiations.

One thing is certain: Even if NATO successfully defends itself against aggression, it will not be able to win back the enemy gains. It would be totally unrealistic to assume that a successful defense could force the enemy to accept a political solution and to agree to peace terms to which both sides could subscribe.

On the other hand, we are shutting our eyes to the need of mastering the required troop strength. Theoretically, ours is the most powerful military alliance in history. But it contents itself with force levels which are insufficient by any standard.

There are fewer divisions in Central Europe now than a third-rate country like Poland had under arms in World War II.

What is it that prevents the NATO partners from making troops available in sufficient numbers ? There are two reasons:

On the one hand, mechanized divisions cost a lot of money and on other hand there is the notion that highly mechanized divisions alone are of any real use on the modern battlefield.

One can only look to simpler divisions for a solution. There are a number of serious arguments against this. But they cannot hide the fact that the present course has led us into a blind alley.

If we are unable to raise mechanized divisions in sufficient number, then other ways must be found. We must come up with new ideas and get off the beaten track, constantly complaining that the politicians are not providing us with enough money.

More than once in history, most recently in the Finnish Winter War, in Korea and in Vietnam, too, lightly armed troops highly mobile in difficult terrain have been able to defeat a heavily armed enemy.

9478

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'FIRST SOCIALIST LABOR CONFERENCE' HELD IN KASSEL

Bonn VORWAERTS in German 8 May 80 p 11

[Article by Uwe Karsten Heye: "Rudolf Bahro Strives for New Left Coalition"]

[Text] A total of 1,200 participants gathered in Kassel from 2 to 4 May for a first meeting. But it is not only the number of participants that deserves attention--for the first time such a meeting avoided division and factionalism. Rudolf Bahro made that possible.

The oratorical monstrosities out of the arsenal of Marxist theory caused laughter. The comrades were in stitches when a female fighter of the "Trotskyite League" tried to teach them the morality of the class struggle. She even propagated the historical inevitability of the final struggle, but this became a joke as a result of the audience's hilarity.

No, the comrades from the leftist socialist spectrum of the Marxist groups, factions, and sects have had enough of that. Ten years of bitter confrontations between pure ideology and fruitless argumentativeness have worn them down. They want to go on, but not in that fashion. They are Marxists, but on the basis of changing premises. The leftist socialist movement in the FRG is looking for a new beginning.

One step in this evolving process of self-identification was the "First Socialist Working Conference" in Kassel, which attracted 1,200 participants to this north Hessian city and to which everyone was invited who considers himself a socialist. The text of the invitation already indicated what would be one of the most important dynamic forces motivating the gathering in Kassel: "Many groups and possibly even more individuals of West Germany's Left have drawn the conclusion from their experiences with socialist politics that only one action can still lead us out of the present crisis of the Left. And that must be the move toward a unity which will not just have the character of a tactical alliance but which will include the entire Left....a sober evaluation and self-criticism has become unavoidable for all of its diverse elements."

It continues: "But the fact that the problems of bourgeois domination have simultaneously multiplied and deepened provides the Left with yet one more opportunity to alter the power relationships within the FRG to its advantage through a fundamental revision of its practices and theories." The working theme of the conference in Kassel was "Ecology and Socialism."

Under these circumstances it is surprising that the Moscow-loyal DKP was absent from this open and nonpartisan conference even though most participants had party or group affiliation. It was no secret, however, that some of the conference participants harbored the embryonic hope for a collective movement to the left of DKP and SPD, while some wanted to orient themselves toward the Green Party. Only a minority considered all organizational ties as untimely or at least premature since such ties might only disturb the dialog aimed at an understanding and at clearing up existing inconsistencies.

Bridge Building Between Marxists and Ecologists

There are divergent hopes, but extensive agreement in yearnings. There is the yearning for a new beginning and for the assurance of not having to waste away forever in the ghetto of political irrelevance.

Kassel was to provide the hope which had been shattered in the trench warfare of the past 10 years. The bankrupt Left wants to regenerate itself. Many will have recognized how necessary this has become only as they witnessed the appearance of an ecological movement which developed independent of their inspiration and theoretical initiative. It is something approaching a mass movement, certainly compared to their own experiences of factionalism, which has reached the point of meaninglessness. It is a movement which within 3 years has advanced to the point of party formation, and which by now has gained seats and votes in several city and county councils, as well as in Landtags. Of course, the Left is also active within the Green Party, but that certainly does not account for the origin and the depth of that ecological movement.

This inability to understand the ecological protest helps to explain what happened in Kassel. The impulse for the Kassel project came directly from an open letter by Rudolf Bahro in which he suggested "such a conference as a place for understanding of self and for the discussion of fundamental theoretical and strategic problems of the Left." Bahro, who in the meantime has become a member of the Green Party, thus touched an already existing sentiment and strengthened it considerably.

His naivete, which is coupled with optimism, is unlike that of those adherents of the Left who decimated themselves eagerly and with a masochistic joy on the battlefields of the past decades. He did not participate in those fights, but he is still one of them. His position of prestige within the Left thus is considerable, although not undisputed. He is one of the heads, although not the head, of the new Left which is now assembling.

He concealed rather than revealed his ideas in Kassel. But they are becoming clear in outline. His tactics, moreover, are evident: to build a bridge between Marxists and ecologists. All doubts concerning this cause fail to influence him. His starting point is where the visible communities of interest between ecological and socialist considerations begin, that is, where both criticize capitalist industrialism. And to avoid nagging theoretical attacks, he raises the ecological question to the level of a human rights question. In the face of that move, the theory of class struggle is almost reduced to a secondary level.

Precisely this point led to increasingly critical questions at the socialist conference. The same was true concerning Bahro's preconditions for a successful strategy aimed at preserving human life on this planet, that is, restrictions, or what he called "compensatory" necessity. "The competition for growth," as he analyzed it, "promotes inequality in the material living standards of people and nations, and thereby it promotes needs for substitutes, compensatory necessities." The more is produced, the more must be pursued, possessed, shown off, and consumed, and the more psychological energy is tied up in compensatory pleasures and is thus no longer available for the forces of emancipation.

Bahro also extended a hand to the Green Party when he said: "If the explosion of demand for material goods, brought on by the pursuit of profits and market expansion, cannot be stopped, socialism will become impossible not only economically but psychologically as well. That is why we socialists have such a great interest in the ecology movement for its own sake and in the interest of our very own goals."

Well, Bahro already has made the Green Party a basis for his political goals by joining it. But he did not give those gathered in Kassel the advice to go as far as he did. He is satisfied for the time being if the Green Party is accepted as a partner in his socialist strategy, which is based on the assumption that the "expansionist phase" of mankind has come to an end.

The discussion in Kassel did not (yet) adhere to this design for global responsibility of socialist practices. Nevertheless, Bahro can assume that he has helped in taking one step on the path toward unity in the diversity of the Left. The second Working Conference is scheduled for September.

Despite considerable doubts, it is no longer impossible that the Forum "Socialist Conference" will become the seedbed from which will grow--to the left of the SPD--a relevant movement of the Left, with parliamentary-democratic viability. The sooner this process is frozen into an organizational framework, the greater, however, is the well-founded possibility that this fresh spring breeze from Kassel will find its end in another winter of factionalism.

INSTITUTE WARNS: EXPECT LOWER EXPORTS TO WEST, HIGHER OIL IMPORTS

Helsinki HELSINGIN SANOMAT in Finnish 17 May 80 p 37

[Article: "Export Growth to Western Countries Gradually Slowing Down"]

[Text] In its new economic prediction the Research Institute of Commerce and Industry warns against poorly timed measures for balancing the economy, which would only deepen the forthcoming recession and increase unemployment.

Traditionally the Research Institute of Commerce and Industry has not offered very detailed instructions to those who form economic policy. However, in its spring prediction the research institute presented the position that a forceful tightening of money policy is not is not the most appropriate means for regulating demands. Rather at this time an attempt should be made to postpone public demand and the purchasing power of households until next year.

The Research Institute of Commerce and Industry estimated total production growth this year to be 6 percent or a percentage point less than the prediction published a couple weeks ago by the Workers Economic Research Institute. Both institutes believe that next year growth will remain at 2 percent.

In the opinion of the Workers Economic Research Institute a portion of this year's summit should be cut off to fill the hole next year. According to Dauno Ranta, director of the Research Institute of Commerce and Industry, the transferring of growth percentages to next year would, however, be difficult by means of economic policy measures. The effects of the recession can no longer be reduced by money policy, but something can still, however, be done by means of postponing public investments. "Commerce and industry could also attempt to postpone planned investments until next year," believes Ranta.

Exports to the West Will Decrease Next Year

According to the Research Institute of Commerce and Industry extraordinary factors have for the time being postponed the deepening of the economic recession. However, economic activities can fall off quite rapidly in the future.

Because of slow economic growth in the OECD-countries, growth is already coming to a halt and next year exports to Western Europe will be 4 percent less than last year according to the Research Institute of Commerce and Industry. Instead increased oil prices will forcefully increase Soviet trade this year as well as next year. This year exports to the East will increase 50 percent and next year 25 percent.

It is estimated that total exports will increase 7 percent this year, but next year will remain at this year's level.

In the current year lumber exports will remain at 1979's unprecedented level since the majority of export production in this area has already been sold. Next year wood product exports will be restrained primarily because of reduction in the U.S. housing construction industry. Even though export prices for products of the mechanical forest industry are decreasing, demand will continue to weaken, however, for a shorter term and less severely than in 1974-1975.

The market situation for products of the paper industry has remained good and the base for new orders is now better than the average. However, next year competition for the markets will become stiffer because of the weak economic situation in the United States, England's recession, and increasing capacity. In Finland it is also estimated that the usage level of capacity will decrease and exports will be reduced by 2 percent.

Export prospects of the metal products and machinery industry have in recent years been affected by the need for investments, the compensation of the trade deficit with the East by additional exports, and the effects of next year's new trade agreement. Next year exports will increase by 3 percent.

Exchange Ratio to Weaken

The production of commodities for its part will continue to increase rather forcefully even though its growth will be slightly slower than last year. It is predicted that imports next year will decrease as total demand slows down. However, it is not expected that productive imports will be drastically reduced.

This year the balance-of-trade deficit is calculated to be 5.3 billion and next year it will be 5 billion markkas. According to the Research Institute of Commerce and Industry the foreign trade deficit will be increased by a weakening of the exchange ratio in both of the above-mentioned years. All in all the exchange ratio will weaken by ten percentage points in the years 1978-1981.

"Larger Correction to Graduated Tax Scale"

Because of the halt in export growth, next year's economic growth will depend totally on domestic demand, which will increase 1.3 percent.

The forceful increase in the actual incomes of households and expenditure this year will also promote increased demand. This year's inflation index applied to the income tax was based on a 7.5 percent increase in prices. However, it is estimated that inflation will be definitely higher (approximately 11 percent), at which time the income tax will automatically restrain the actual purchasing power and expenditure of households.

In the opinion of the Research Institute of Commerce and Industry one way to strengthen demand next year would be to correct this year's aggravated tax burden and carry out an inflation-indexed correction to the tax scale that is clearly greater than the rate of inflation. This would also facilitate the conclusion of an income agreement next year, states the report.

Almost without exception the inflation rate will also increase in the competing countries since a significant portion of the increase in the cost of raw materials and energy has not yet been transferred to consumer prices.

As production growth rapidly increases the unemployment level will fall to 5 percent this year, but the Research Institute of Commerce and Industry predicts that it will also increase slightly in 1981. There is a particular need for labor this year in the metal and clothing industries. Also the housing construction area will need a few more workers because of the rather forceful increase in construction activities.

However, according to the spring prediction the increase in demand for the labor force will come to a halt next year in various areas of commerce and industry. Only the public service sector is expected to increase its labor force.

Money Policy to Continue to Tighten

The improved competitive ability of the economy in recent years has clearly increased the income funding of enterprises. Together with the increase in the usage level of capacity it has rather quickly increased industry's desire to invest. According to the prediction the forceful growth phase in the formation of capital will occur during the current year and the emphasis will be transferred to construction investments and the expansion of capacity.

The funding markets will become perceptively tighter during the year since the need for investment funding will exceed domestic savings levels. The Research Institute of Commerce and Industry estimates that as inflation accelerates and the balance-of-payments deficit grows, a stricter direction will be adopted with respect to money policy.

Spring Prediction of
Research Institute of Commerce and Industry

	1980	1981
Total production	6	2
Exports	7	0
Imports	11.5	-- 2
Investments	8.5	3
Consumption	4	2.5
Consumer prices (rist-%)	11	10.5
Industrial production	7.5	3.5
Balance of payments (mmk)	-- 6000	-- 5750
Unemployment level %	5	5.3

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CSO: 3107

COUNTRY GETS FIRST GEOTHERMALLY HEATED BUILDING

Helsinki HELSINGIN SANOMAT in Finnish 13 May 80 p 10

[Article: "Kauhajoki Builds Geothermally Heated Building"]

[Text] A day care center which will be Finland's first geothermally heated municipal building will be completed in Kauhajoki by the end of June. This slightly different heating method was approved in the decisionmaking organs of the municipality without any opposition. Any doubts were perhaps dissipated by the fact that individual geothermally heated homes already exist in the municipality.

Also according to Municipal Director Jouko Virtanen the residents of Kauhajoki want to gain experience by which they can determine whether geothermal heat can later be used in buildings of the municipality.

The decision was also affected by the fact that the day care center is located at a point somewhat distant from the town center so that it was not a question of connecting it to the remote heating network.

"We wanted a heating system which does not need a permanent caretaker or maintenance. In addition, the lot was sufficiently large and the quality of the soil was suitable," states Municipal Engineer Sulo Kantojarvi.

A mixture of industrial alcohol and water was put into 1,800 meters of plastic pipe, which was sunk into the moist clayey soil. The liquid accumulates the earth's heat, which is then transferred to the heating system of the building by two large heat pumps.

The first floor of the day care center is 566 square meters and the space to be heated amounts to 1,861 cubic meters. The dimensions of the heat pumps are such that they are capable of heating the building even when they are partially inoperative.

An Auxiliary System Is Not Needed

"No auxiliary system is needed. The hydro-equipment has additional coils in the event that some day we might undertake the heating of the used water by means of the sun," states Kantojarvi.

However, for the time being the residents of Kauhaioki are satisfied with waiting until solar heat becomes better developed. With the heat pumps the water reaches 55°, which is sufficient for the needs of the building.

The heat is transferred to the building by means of forced air, and a portion of the air is used again. According to Kantojarvi forced air heating works very well with a geothermal system.

The initial expenditures for a geothermal system are somewhat higher than central heating based on oil, however, it is believed that geothermal heat will pay for itself as a result of the small expenditures involved in its maintenance and use.

The package price of the Geotherm-brand name system came to around 65,000 markkas and the forced air system cost 20,000-30,000 markkas, stated Kantojarvi.

The competitiveness of geothermal heat systems in Kauhaioki in comparison with oil heat is further improved by the fact that the cost of electricity has remained constant for 3 years.

Municipal Interest Increasing

The Finnish Municipal League has over the spring arranged energy management seminars for those people involved in municipal construction. At these seminars experts have proposed the use of geothermal heat, among other things. The seminars have been held in Tuusula, Soikamo, Rovaniemi, Kerimäki, and Luumäki.

As energy questions have been discussed, geothermal heat has also begun to interest municipal leaders, states Graduate Engineer Lasse Ristikartano of the Municipal League.

The municipality of Vartsila has even considered the idea of a geothermally heated housing area, but the city fathers have, however, leaned toward a heating center operating on wood chips.

According to Ristikartano, there have also been some negative experiences from geothermal systems since they have sometimes failed in practice.

In larger cities the use of waste water heat has been studied for the decomposition of sludge, for example. When energy was cheap, the plans were tabled, but recently they are being reexamined.

According to Sitra, the Fund for the Anniversary of Independence, the use of geothermal heat also entails complex tariff-policy questions which the electric power plants are only just beginning to examine. A heat pump uses significantly less energy than direct electric heating, but it needs an identical electric network. In addition, heat pumps increase the peak consumption of electricity in January.

Sitra is striving to develop methods for testing heat pumps with funding from its research work. The study, which has included heat pump manufacturers, should be completed this year.

BRIEFS

SKP-CPSU IDEOLOGY COOPERATION--The communist parties of Finland and the Soviet Union are initiating action for making ideological cooperation more effective. A cooperative program of ideological work to cover a longer period of time is being prepared, stated Vice Chairman Taisto Sinisalo of the Finnish Communist Party's left wing in Lahti on Sunday. According to Sinisalo working class interests demand a unification of forces, which can also be seen in the international communist movement. "Only by being faithful to Leninism and by waging a struggle against all contrary trends can the Communist Party maintain and strengthen itself and fulfill its revolutionary task," stated Sinisalo. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 19 May 80 p 10] 10576

FOKKER F-27'S TO AIR FORCE--The Council of State gave approval to the Defense Ministry to lease two Fokker F-27 transport aircraft from Kar-Air. The term of the lease is 6 years, but the Air Force has the right to purchase the aircraft after 4 years. The Fokker equipment will replace the DC-3, which is being retired. The Fokkers will be used as transport aircraft and for the training of paratroopers. The Fokker F-27's are equipped with two propeller turbine engines. The flying distance is 1,500 kilometers. It is capable of carrying 5,000 kilos of cargo. It has 40 passenger seats. Its speed is 500 kilometers per hour. It needs 1.5 kilometers of runway. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 16 May 80 p 13] 10576

CSO: 3107

ELECTION UNCERTAINTIES INCREASED BY GISCARD'S PAST RECORD

Paris LE MONDE in French 20, 21 May 80

[Two part article by Noel-Jean Bergeroux: "Six Years After the Election of Mr Giscard"]

[20 May 80, p 11]

[Text] Mr and Mrs Giscard d'Estaing were supposed to arrive on Monday 19 May, early in the evening, in the little village of Saxon-Sion (Meurthe-et-Moselle), where they were to have dinner with the inhabitants as well as those from the neighboring village of Vaudremont, on the occasion of the sixth anniversary of the election of Mr Giscard d'Estaing as president of the republic on 19 May 1974.

In 1974, in the run-off election, the voters of these villages had voted more than 80 percent for the future president of the republic. Each year since his election, the president has celebrated that anniversary in a locality which had given him a large majority of the votes. In 1975, he had gone to Ringeldorf (Bas-Rhin); in 1976, to Arhansus (Pyrenees-Atlantiques); in 1977, to the island of Houat (Finistere); in 1978, to Reposoir (Haute-Savoie) and, in 1979, to La Rabateliere (Vendee).

I. The Job Which "Devours"

"Now the great book of time is opening, with its vertiginous blank pages. Together, as a great people, in unity and fraternity, let us meet this new era in French politics." Thus ended the short speech given by the president of the Republic on 27 May 1974 at the Elysee Palace.

The triumphant Giscardism of that time, the early Giscardism, was, to a great extent, expressed in that sentence: the will to change, the desire for innovation, certainly, but also that propensity toward affectation, that naively literary bombast. Ah! the "vertiginous blank page," the "great book of time," what audacity in the use of cliché. The Valéry Giscard d'Estaing of that period tried to seem "new" and "poetic," just as he had tried, a few years earlier, to seem like a simple inhabitant of the Auvergne region, playing the accordeon, or to look like one of the "ordinary people," taking the subway. Accompanied by a photographer.

A new style and reform: as of 27 May 1974, the French were going to hear about it. They were also going to see some results from it. But 6 years later, what has happened to that "new era," to that new man, to that change?

As for the style, it is simple: we are tempted to say that nothing remains, or almost nothing. Have we perhaps become used to it? But hasn't it just fizzled out? Of course, we still have the "Marseillaise" played more slowly in the presence of the chief of state, those business suits which replaced the ceremonial dress on official occasions, that simpler protocol in certain circumstances.

But for all that have these signs been interpreted as reflecting profound change? Has anyone seen fit to claim that the gestures, the little inventions, the innovations in form of the early days have allowed the president of the Fifth Republic to prove that he was a simpler man, closer to the people, more...of an "Auvergnat" than his predecessor, Georges Pompidou? Certainly not! "It takes an aristocrat to feel obliged to cut down on ceremony and democratic pomp," said a Gaullist member of the ministerial cabinet at that time, overwhelmed by all that false ingenuity devoted to reform.

The new style and the original desire for simplicity have not been convincing because, on the one hand, simplicity was not really the most noticeable characteristic of the early Giscard d'Estaing and because, on the other hand, he himself has changed.

"That period is really over," they are saying at the Elysee Palace, whenever someone refers to the period when Mr Giscard d'Estaing was desperately trying to play the role of "Mr Average-Man-Become-President." "He has understood," they even add sometimes. And it is not a bad thing that the initial mistakes of the new era have been somewhat forgotten: those which gave rise to all kinds of rumors, that insistence on wanting to lead a private life, uncomplicated by the demands of the presidency.

The security services have been the first to be relieved by a continuing movement toward normalization, since they had often been placed in uncomfortable situations by the improvisations of the chief of state.

Certainly, Mr Valéry Giscard d'Estaing is still fond of ponderous literary effects, of somewhat sophisticated formulas, but he is no longer the same. "The office has taken hold of him. It is devouring him." One of his close associates says: "What observers do not notice enough is the extent to which he has become identified with the office, an office to which one brings ideas, opinions, only to have them inevitably changed by it.

The man has changed, that is true: less relaxed, less interested in appearances, less confident also. "He has learned the job" and he has become somewhat disillusioned. He, who had been elected to the highest office in the land without ever having really had to suffer, without

having had any desert to cross, had suddenly come up against some major obstacles. That crisis, first of all, which made of him a president in difficult times, while he would have preferred to be a president in happy times; that majority which remained restive in the face of his reform plan, that moribund expansion which took from him the means to achieve his ambitions and...that Jacques Chirac who would one day pick up a dagger against him and who would never put it back in its sheath.

Errors

Faced with this task, which turned out to be more arduous than was anticipated, there were, at first, mistakes. Errors in tone at the beginning, initiatives which were too daring for a disconcerted political class and majority; targets missed because of an excess of confidence. That was true in the case of the famous handshake with an inmate of a prison in Lyons on 10 August 1974 and perhaps also of the "impromptu" invitation to the sanitation workers at the Elysee Palace (6 years later, the prisoners and the immigrants have seen their situation worsen.)

There were tactical errors, such as the decision to appear on television on 24 March 1976 after the failure of the majority in the local elections. It was the first failure of the chief of state on the small screen. The French saw that evening a president in "mourning," ill at ease and downcast, who was telling them, without seeming to believe it, that Mr Jacques Chirac was in charge of directing and coordinating the activity of the majority (4 years later where is this majority or what has replaced it?) An error all the more strongly felt since Mr Giscard d'Estaing had acted in that instance in self defense, having let himself be convinced, they say, by his prime minister to go against his own judgment, which was not to intervene. Another tactical error--and a monumental one--not having foreseen the danger at the time of the municipal elections of 1977 in Paris, and having believed, once again, but once too often, in the chances for the success of a device put together by well meaning people, who did not take into consideration brilliant maneuvering by an adversary, in this case Mr Jacques Chirac.

If the man, while remaining courteous, has become more distant, more wary, more isolated also, it is in these failures that we must seek the cause. All the more because he seems to have drawn the following conclusion from them: Valery Giscard d'Estaing is a better politician when he follows his own instincts than when he listens to advice.

Finally, that office not only "devours," but it is a solitary one. "You obtain it with opinions, which are inevitably changed by it:" in other words, one cannot be president of the French Republic and maintain an appearance of private freedom. One cannot be president of the French Republic and take the risk of desanctifying the office, one cannot be president of the French Republic and not arrive more or less at a kind of Gaullist doctrine.

Mr Giscard d'Estaing, when he was newly elected, had only vague notions concerning defense policy. He settled down to study it. He consulted. He learned and, on 25 March 1975, he declared: "I have arrived at the conclusion of General de Gaulle."

That is the basis of the record: 6 years of Giscardism means first of all a result which did not seem certain at the beginning: a defense policy following the direction charted by General de Gaulle and a first stage completed according to the plan of the inventor (the choices for the year 2000, which will not be made until June, do not necessarily place in question the basis of the doctrine of an independent defense, even if relations between France and NATO are more relaxed than when General de Gaulle was still alive). Six years of Giscardism also means a certain number of reforms which ought not be underestimated--although the principles of certain of them were established by his predecessors--whether it is a matter of reforms affecting the habits or the status of certain social categories: the right to vote for 18 year olds, new legislation on divorce and abortion, the treatment of the old, the handicapped, etc. A few failures also, like the capital gains tax or the restoration of the professional tax. Numerous reports which resulted in no legislation. Long-drawn-out projects like the reform of the local collectivities, of business, of social security or the financing of political parties. Finally, encouragement given with no follow-up: the courageous proclamation of 25 July 1974, concerning the status of prison inmates: "The punishment is detention and nothing else." Also the courageous proclamation of discussing, during the election campaign, the abolishment of the death penalty. But since then?

The Record

The chief of state says he is satisfied with the record, which has been at least "three quarters" successful. A record which the French, if the polls are right, do not think is so successful, but which they feel has achieved a few positive results at home and whose foreign policy they view even more favorably. But a record, in the end, falling far short of early expectations.

Still, the political man has perhaps won a round. Beyond the fact that no one, 6 years ago, would have bet that French society would not split apart because of unemployment that numbered 1.5 million people out of work, it is nevertheless true that many of the uncertainties which were clouding the future of political Giscardism have been, if not eliminated, at least reduced.

Certainly, the left has been responsible for weakening itself and that result cannot be considered a victory for Mr Giscard d'Estaing, even less as an effect of attachment to a symbolic relaxation of tensions.

On the other hand, the skill used, from 1977 on, in limiting the "Chirac danger," then in containing it, should be considered a plus in a subtle political game, which has been enriched by earlier lessons. The non-defeat of the majority in 1978 was perhaps a certainty from the time of

the breakup of the left the preceding year, but the margin was slight and the game had to be considered well played if the interior situation of the majority is taken into account. The same was true of the European elections of June 1979.

"It is through endurance and not shock effects or spectacular initiatives that Mr Giscard d'Estaing finds and proves his effectiveness," they are quick to tell you at the Elysee Palace. Endurance and constancy. Certainly, between the formula "France wants to be governed from the center," invented in 1972, and the search for the "happy medium," put forth in 1980, having gone through the stage of broadening the majority and the government in 1974, the political line has not varied. It is still the move toward the emergence of a "central group" which would permit the use, without risk, of the institutions. Without risk for the right, since Gaullism has been reduced to manageable proportions. This is also, on the other hand, one of the places where endurance has come up against experience, where a planned reform has retreated in the face of the uncertainty of the outcome, where one principle has displaced another.

"When I leave the presidency of the Republic, I want to leave the institutions in the state in which I found them," Mr Giscard d'Estaing has said. Actually, it was not a simple task--one that was spoken of during the campaign of 1974--that of changing the electoral law for the legislature in order to include proportional representation in it. It was the way to give some reality to the political center. But it was also a radical transformation of the institutions. If the plan has been given up, it is probably less because of a mere question of principle than for reasons of prudence: it would have inevitably led to a major conflict with the Gaullists. It would also have led, inevitably, to other reforms and other practices ending, in fact, with the presidentialization of the regime. A step that can be taken only with great difficulty when one has affirmed that one wishes to leave the institutions intact.

Endurance and constancy, perhaps, but also appearances and talk. Mr Giscard d'Estaing has been able, in the course of these 6 years, to overcome certain of his handicaps, in particular the one which stemmed from his image as the "fragile man," who, it was suspected, might "push the button." Nevertheless, he remains in the eyes of many, that kind of "gifted man," whose too great capacity for analysis, it is feared, may get in the way of his capacities for decision making: that intellectual mechanism, somewhat abstract, which is perceived as being capable of demonstrating that a thesis is true and that the contrary is also true; this champion of audio-visual communication who fears the unexpected and improvisation. The strategy which dominates, perhaps, only those battles which he has prepared on paper.

Who said there was something extraterrestrial about this man? Who, among those who are close to him, does not sense someone trying to appear human, but who remains unrelentingly distant, at times removed from reality and daily life, alien. And that is true, in spite of a whole system, a whole panoply of signs and gestures which only add to his strangeness.

Nevertheless, the 7-year term which is ending is the first "normal" one for a president of the Republic elected by universal suffrage. Mr Valéry Giscard d'Estaing may even be the first to inaugurate a "normal" second term. And that "normality" would certainly not displease him.

[21 May 80, p 12]

[Text] After having discussed the positive aspects and the deficiencies of the first 6 years of Mr Giscard d'Estaing's first 7-year term (LE MONDE, 20 May), we analyze below the "unknown factors" of the April 1981 election.

Less than a year before the presidential election, the first round of which will probably take place on 26 April 1981, one word is still "taboo" at the Elysee Palace: the word "campaign." They assure you, they swear to you that it is never mentioned, never even thought about. They even add: "Who says he is going to run?" For more than a year, conversations have included such expressions as "if he runs," and even "if by any chance he should run." The chief of state himself one day during a luncheon with the heads of the UDF [French Democratic Union] used the expression: "if by some unfortunate chance I should run." It is true that he turned to his wife with a smile as he spoke those words. A few weeks earlier, she had caused a sensation by telling a Spanish journalist that a "second term" did not "really seem to interest" her husband.*

But it is not so much at the Elysee Palace that they are talking of the campaign as in the "second circle." This "second circle" is made up of the old "faithful" supporters, the heads of the UDF. Among them are found those men who led all the battles for Giscardism since 1962, who got their man elected president in 1974, but who lost a friend: those who, without any doubt, participated in all the later battles, but who at times had to give up a certain intimacy with the man who was head of their small party, who are less close to him than they once were, at times a little disappointed, frustrated, impatient. They "are hibernating" but in a kind of vagueness. One of them claims to be sure of heading the campaign, another is already proposing a strategy, another knows exactly when the "machine" will start up. ("In October you will see something new.") But they all give the impression of waiting "at the ready." One of them is openly impatient. "This silence is beginning to go on too long. After all, if I am not asked to do anything, if I become convinced of my uselessness, I am going to take a vacation. I have the impression I won't be alone, if this disdain persists, I'll take a sabbatical year. It is true that the man who is talking like that is a more recent Giscardist, less absolute, and that he is inclined to believe that consequently his action will be more effective than that of the complainers in the old guard. Nevertheless, at times, one still finds this feeling among others: in the ranks of the deputies, particularly, and among the youngest, who feel sometimes that they have been left "fallow."

At the Elysee Palace, no one is worried about the state of morale. First of all, that little world, we know, will answer the first call to arms. Then too, it is a matter of not mixing types of activities.

The situation, then, is a new one: it is the first time that a president elected by universal suffrage will be seeking a second term. (... "if he is a candidate," of course!) There is no precedent: General de Gaulle had not been elected the first time by universal suffrage.

In the present case, "mixing types of activities" would be, on the one hand, making the president a candidate prematurely and, on the other, making the candidate the man of one party, or of a coalition. Those surrounding Mr Giscard d'Estaing are "fascinated" by the American example. A "bad" example. An electoral campaign every 2 years, a presidential term of 4 years, with 1 year to take stock of the problems and to establish relations with the Senate and a year of election campaigning at the end. "In all, the United States is able to get things done only 2 years out of 4. They were able to overcome this great handicap only so long as they were an unchallenged superpower. Today they are beginning to feel severely and concretely the disadvantages of their system. An experience to be avoided at all costs." The president will therefore remain a president until the last moment.

Erasing the Failures

As for the parties. Be careful. Yes, we know they are champing at the bit and are worried. But they ought to understand: the chief of state no longer belongs to them, he will not be the candidate of the UDF, nor of the Giscardists. He must represent a broader spectrum, a group, a majority of the people of France and even, why not, "France itself." All the social categories must find in him a reflection of themselves, he must not be a stranger to any body of thought.

What about the objection that "the president-up-to-the-last-moment" is actually a "candidate right from the start"? The answer is the solution is to be found in a kind of aphorism: the best way to get reelected is to be an incumbent. To be a candidate is a necessity one would like to be able to do without; to wage a good campaign is a necessary condition, but it is in no way enough. The campaign, the real one, is the 7-year term just ending.

An obvious statement, but with an obviousness which explains the untiring effort made over the past 6 years to erase earlier mistakes to correct the early failures, to polish an image. What Mr Fabius recently called: a remarkable "ability to make others forget his own failures."

The campaign will then most likely be directed by a "small group" completely separate from the organizations and leadership of the UDF. Even if the members of this leadership are included in it, even if some of them are given important assignments, neither the PR [Republican Party],

nor the centrists, nor the UDF as such will lead the campaign through their representatives. At the base there will be the departmental or local support committee, at the top will be the national support committee: committees with the broadest representation possible, in which the places of honor will be reserved for those who incarnate an opening up, a broadening. Thus, there is already being made up a list of elected Gaullists, who will during the first round of balloting appear beside the chief of state. They will have the priority, just as those, the radicals of the left and the unaffiliated, whose political silhouette will permit Giscard d'Estaing not only to appear as a candidate for the "presidency of all the French," but also to establish the bases of what would be, if he were elected, in the future, a real presidential party. The future of the UDF after 1981 will indeed be written, to a great extent, in the make-up of the support committees.

The themes of the campaign are, under these circumstances, difficult to determine in advance. Everything is happening as if the important element is missing. It has often been noted in recent months that the president of the Republic was addressing successively precise social categories: widows, executives, the young, the military, etc. But perhaps that was only the pre-campaign, the daily business of a well-run 7-year term. It is not certain that this formula will be in force when the time comes. It is more likely that those who will organize the battle will try in the future to bring about the reinforcement of the "images" of the president more than to make him obtain the votes of such and such layer of society. The outgoing president as the "man of the future," the outgoing president as the "steady man," calm in a crisis, a recourse, a rampart, a guide to change, etc.

The "category approach" has had its day: they joke at the Elysee Palace over the importance given it by the journalists. That is why you hear this complaint: "Yes, the president makes use of the "category approach," and I can cite a few categories where we have succeeded particularly well: the mutualists, the doctors, those receiving social security, the Jews, the farmers."

Uncertainties remain, which explain the caution and slow pace: who will be the candidate of the FS [Socialist Party]? What does the immediate future hold for Mr Barre? Will Mr Chirac go along? Will Mr Debre do what he has hinted he will do?

Whether the socialists choose Mr Rocard or Mr Mitterrand is not a matter of indifference to the president's men: the image which would be used to oppose the first would not be appropriate to oppose the second. "If it is Mr Mitterrand, the situation is foregone and banal, it will be the man of the future against the man of the past. If it is Mr Rocard, it will be the man of experience against the novice, but each candidate has his strong points: the first will receive more communist votes in the run-off election, the second begins to worry us when he uses the velvet glove and also plays at "relaxing tensions." Moreover, it is still

thought at the Elysee Palace that Mr Rocard is a stronger candidate for his party's nomination than he would be in the presidential election; but within the ranks of the Giscardist parties more and more thought is being given to the appeal that the deputy from Yvelines could have on the vote of the moderates.

Barre's chances have had high and low points. If it is true that at certain moments one wondered about the necessity of replacing the prime minister before the election, it is also true that there is something eternal in his ability to take punishment, and even in his unpopularity. As if, after all, no one could see who could do better in his place, given that he himself is hiding no bad surprises. In his present situation! At the Hotel Matignon, in any case, Mr Barre is now considered to be assured of holding his office until 1981.

As for Mr Chirac and Mr Debre, one would like to see both of them in the contest. Fewer votes for the first and Gaullism would be finished. A plus. But no one seems to dare hope for this too much.

Another uncertainty: "scandals." Around the president of the Republic, they say they are convinced that they will grow from now until 1981. Their concern seems mild, however: not that they are very satisfied with the way the defense of the chief of state was conducted after the revelations of the CANARD ENCHAINE on the Bokassa diamonds, but because it is felt that, 8 months later, the effects on public opinion have all but disappeared and the public basically disapproves of attempts at "destabilization" of the chief of state in a difficult period. It remains to be seen whether the numerous unresolved scandals (de Broglie, Boulin, Fontanet, Poniatowski) will not, in the long run, lead to a disaffection, of which the "political class" would not be the only victim.

The way the campaign will take place will affect the first years of the next 7-year term, if there is a victory. On that point also, they are anxious not to appear too interested in what will happen over the horizon. But it must be considered: the structuring of the presidential movement, the preparation for later situations are important. Thus, if the introduction of proportional representation into the legislative electoral system seems highly unlikely to many Giscardists, on the other hand there are many people who are convinced that the proportional method will be used in the municipal elections in the major cities in 1983. And there are many who are speculating once again on the significance of a presidential election, followed closely by legislative elections, which would finally give Mr Giscard d'Estaing a coherent parliamentary majority. On that point one hears regret over what could have been accomplished in 1974 or 1975, if it had been known what the Gaullists were up to.

Regret, but also gratuitous speculation; because how can the faithful guess what a president who is still hiding his immediate intentions is up to?

8956

CSO: 3100

MILITARY PROMOTIONS, APPOINTMENTS NOTED

Paris LE MONDE in French 23 May 80 p 28

[Article: "Vice Admiral Orosco Will Command the Naval Warfare School--General Servanckx Becomes Assistant Chief of Staff of the Armed Forces"]

[Text] On the proposal of Yvon Bourges, minister of defense, the Council of Ministers meeting on Wednesday 21 May approved the following promotions and appointments:

Navy

Appointments: as commander of the Higher School of Naval Warfare, Vice Admiral Jean-Paul Orosco; as higher commander of the armed forces of French Polynesia, commander of the Experimentation Center of the Pacific and commander of the maritime zone of the Pacific, Rear Admiral Jacques Choupin.

Army

Promotions: to brigadier general, Colonels Leon George and Etienne Doussau (the latter is appointed "operations" assistant to the commanding general of the 7th Armored Division and the 65th Territorial Military Division).

Appointments: as assistant chief of staff of the armed forces, Brig Gen Jacques Servanckx; as chief of the "assignment" division in the general staff of the armed forces, Brig Gen Henri Rouquette; as commander of the 21st Territorial Military Division, Brig Gen Maurice Hoursier; as central director of National Service, Brig Gen Pierre Morisot; as director of commissariat of the III Military Region (Rennes), Commissary General Second Class Robert Taureau; as commander and signals director of the 1st Army Corps and of the VI Military Region (Metz), Brig Gen Bernard Gabriel; as commander of the 32nd Territorial Military Division, Brig Gen Michel Guillermet; as "operations" assistant to the commanding general of the 10th Armored Division and the 63rd Territorial Military Division, Brig Gen Jacques Julien de Zelicourt; as assistant chief of staff of the Army, Brig Gen Michel Berthier.

Commissary General Second Class Roland Sei is assigned the duties of assistant director for "forecasting-budget-finance" in the Central Commissariat Directorate.

Air Force

Promotions: to Air Force brigadier general, Colonels Michel de Touchet (appointed assistant to the commanding general of the III Air Region), Marcel Sandillon, and Claude Carreau (appointed assistant to the commanding general of Military Air Transport).

Appointments: as assistant to the commanding general of the Air Force Schools, Air Force Brig Gen Pierre Menanteau; as inspector of Air Force reserves and mobilization, Air Force brig Gen Henri Broussaud.

Gendarmerie

Promoted to brigadier general are Col Pierre de Laroche-lambert (appointed commander of the Republican Guard) and Col Jean Le Cuziat (appointed Gendarmerie commander of the French forces in the FRG).

11267
CSO: 3100

BRIEFS

AERONAUTICAL COOPERATION WITH JAPAN PROPOSED--In Paris on 21 May, the Japanese minister of foreign affairs, Mr Okita, had a talk with his French colleague, Mr Francois-Poncet, in which the problem of the imbalance in the trade exchanges between Paris and Tokyo was discussed in particular. In 1979, French imports from Japan totaled 8.7 billion francs, while Japanese purchases from France remained slightly below 4 billion. To remedy this situation, France has proposed organizing industrial cooperation between the two countries, especially in the aeronautical construction sectors. The French and Japanese ministers also exchanged views on the major international problems. Mr Francois-Poncet commented in particular, for his visitor, on the Warsaw meeting. The Quai d'Orsay states that the talks brought out between France and Japan "some specific points of convergence that call for closer concertation between the two countries." [Text] [Paris LE MONDE in French 23 May 80 p 9] 11267

CSO: 3100

CONSTRUCTIVE RELATIONS WITH ARABS REPORTED

Athens THE ATHENIAN in English Jun 80 pp 19, 20

[Article by Jacques A. Case]

[Text] Soon Athens will have its mosque. The Premier will select a site, a proper plot of land somewhere in Athens. The land will be a gift of the people of Greece. With this news, Professor Yiannis Georgakis, Greece's Ambassador at Large to the Arab Countries, stressed the dynamic quality of Arab-Greek relations in a recent conversation with this writer. Until such time as a site can be chosen and the mosque is built, a temporary mosque will be established in a traditional Greek edifice near the Tower of the Winds in the Plaka.

The need for a mosque has become apparent as more and more Arabs live, work, visit, study and do business in Greece, especially in Athens. Very special, constructive and productive relationships are fast evolving between Arabs and Greeks. Unlike the other nine members of the Common Market, nearly all of which at one time or another were colonial powers on the African continent or protectorate powers in the Near East, there has existed among Arabs a "fluid feeling" of friendship for Greeks, a feeling that raises expectations of being channeled in concrete directions.

With the return of Karamanlis to power in the summer of 1974, and the subsequent appointment of Professor Georgakis to the post of Ambassador at Large to the Arab Countries, expression was given to this "fluid feeling," actually a mutual feeling, and direction was given to the Greek Premier's plans for closer ties with the Arabs. With Greece's accession to the EEC, on January 1, 1981, Greece will become a vital and important link between Western Europe and the Arab World. The process has already begun.

Prior to 1974 Greek-Arab relations were friendly enough but unspecific. Although Greek embassies functioned in Arab countries, the appointment of Georgakis signified the Greek Premier's expectation of solid achievements lying beyond normal diplomatic relations.

In the last several years important initiatives were thus taken on the Greek side. One of the earliest of these was the creation of CDC, the Hellenic Chamber for Development and Economic Cooperation with the Arab

countries. This Chamber was founded in 1977. It promotes a whole range of Greek-Arab relations, collects and disseminates information on business opportunities in the Arab countries for Greeks and in Greece for Arabs, and facilitates contacts between businessmen. It is a membership organization.

Another example of Arab-Greek cooperation, the result of a Greek government initiative, originally conceived by Georgakis, is the ferryboat line that now operates successfully between Volos, in east central mainland Greece and Tartus in Syria, carrying cars, trucks, railroad cars, and buses on a newly established searoute that takes less than forty-eight hours to cross.

Other enterprises include the construction of a submarine telecommunications cable between Crete and Syria and the recent establishment of the Center for Islamic Studies in Greece. All these and more are ongoing projects of recent development. The Center for Islamic Studies in Greece has already conducted several major seminars, attended by large numbers of scholars and businessmen. The study of Arabic is another face of Greek involvement in this context. All in all, since late 1974, Greece has signed some nineteen or twenty different agreements with Arab countries.

Greek exports to the Arab countries have increased rapidly in the last few years. So much so, in fact, that the Arab countries as a whole now constitute the largest client for Greek products after the EEC. Between 1972 and 1977 the value of Greek exports to the Arab world increased twelve times, from about \$50 million to something like \$600 million. In 1972, Greek exports to the Arab countries represented only about 6.2% of all Greek exports. By 1977, that figure jumped to about 19.2%. The figures for 1978 show further increases. Greek imports from the Arab countries in the same period increased from about \$80 million to about \$800 million, most of it in crude oil imports. Though the figures show a considerable deficit on the Greek side, Greece seems to be closing the gap. A more balanced expansion of trade between Greece and the Arab world is Greece's objective.

Another relatively recent initiative is the establishment of the Arab Greek Bank. The Bank was formally founded about two years ago with offices on Panepistimiou Avenue in Athens. 40% owned by the National Bank of Greece and 60% owned jointly by Kuwait and Libya, it is the fifteenth foreign bank to have begun operations in Greece. What is even more significant is that, although there are many branches of foreign banks in Greece, it is the first to have a majority of shares held by foreigners, thus establishing a legal precedent in this country. The intention of the initial partners, which includes the Libyan Foreign Bank, the Kuwait Foreign Trading, Contracting and Investment Company, the Kuwait Investment Company and the Kuwait International Investment Company, is to include more institutions from other Arab countries, gradually, without changing the respective Greek and Arab ratios. The Bank will act both as a commercial and as an investment bank. It is expected to become the vehicle for investment activities between Greece and the Arab world.

Mention should also be made of the formation recently of a joint fishing company between Greece and Libya. Aside from the purely commercial aspects of this agreement, this venture is an important example of economic cooperation, not just between Greeks and Arabs, but also between what is essentially a totally socialist country, Libya, and a largely free market, private initiative economy, Greece.

Meanwhile, Arab tourists in Greece are coming in ever-larger numbers, and it should also be pointed out in this context that major Arab leaders and heads of state often request the Greek government to ignore their frequent visits to Greece. Often they come to Greece incognito just to enjoy its environment. The Greek Arab Chamber has organized a major Arab-Greek seminar in Athens in December, attended by over 300 important Arab and Greek leaders under the theme of Europe, Greece and the Arab countries.

Recently former Premier Karamanlis visited Saudi Arabia and concluded various agreements involving expanded Saudi-Greek commercial relations, including the purchase by Greece of substantial quantities of Saudi oil. Similar missions were undertaken successfully by Coordination Minister Mitsotakis to Libya and Commerce Minister Panayotopoulos to Kuwait and Iraq.

Perhaps the most significant activity for Greece in its relations with the Arab world is the very extensive construction and engineering projects completed and in progress by Greek construction companies in the Arab countries in the last several years.

Although Greece's physical proximity to the Arab world and the fact that many Greeks have lived in the Arab countries for many years and know the commercial habits and the language is a major factor, it is essentially the high technical level and competitive position of the Greek construction companies which have given the Greeks a foot in the door at the outset, in building the infrastructure of the Arab countries from airports and major highways to hospitals, hotels and other major projects in nearly every Arab country.

As much as \$6 billion worth of projects have been completed or are in progress by Greek engineering firms. Principal among these is Archirodon, itself the result of a major, relatively recent, merger of Greek construction and engineering companies, including Archimedes and Odon Odostromaton, according to spokesman John Lampsas. Archirodon seems to specialize in port construction, although it has extensive major projects in other areas.

Odon Odostromaton, over a period of years before its merger with Archimedes, built at least fifteen Greek ports from the beginning. Archimedes also built the ports of Benghazi and Beirut. As Archirodon, after the merger, it built large ports in Saudi Arabia, the United Arab Emirates and other Arab countries. At present Archirodon is building as many as seven different ports at the same time. One of them is the large port of Jeddah, "one of the world's largest."

Archirodon has also put in a bid for two of Greece's largest domestic projects, the new international Athens airport at Spata and the Rion-Antirion extension bridge. Archirodon employs about three thousand administrative people, as well as project laborers who are hired on the spot. Controlling interest is held by Konstantinos Karpidas. Archirodon by itself is doing about \$3 billion worth of projects at this time, mostly in Arab countries.

There are, in fact, some two dozen Greek engineering firms doing business in the Arab world, building highways, dams and other major construction projects. According to the banking source consulted, estimates vary between \$2 billion and \$8 billion worth of projects. Although the National Bank of Greece is not a central bank, it is the largest commercial bank in the country, and together with a number of foreign banks here, it has provided letters of credit, performance bonds and other guarantees for the Greek construction companies, as requested by most of the Arab government contracting agencies.

It is important to note that much of the success of the Greek engineering and construction firms is the result of their own private initiative, in the face of stiff competition from foreign firms. Lately, however, and this year in particular, Greek government initiatives have apparently helped. Some of the other Greek construction firms, doing business in the Arab world and elsewhere in Africa, are: Edok Eter, in Cameroon and Gabon; Scapaneus, in Iran and Iraq; Helleniki Techniki, in Iran, Iraq and Kuwait; ETE in Libya; Xekte, in Libya; Epirotiki, in Libya; Thales, in Saudi Arabia; Alemat, in Saudi Arabia; Heraklis and Meton, in Saudi Arabia; Domiki, in Syria; and EDOK Domika Erga and Technodomiki, also in Syria.

CSO: 4920

PUBLIC POWER CORPORATION PLANS REPORTED

Athens ATHENS NEWS in English 19 Jun 80 p 9

[Test] Public Power Corporation (DEH) Governor Mr. Rafael Moyses, reporting at the 25th regular annual meeting on activities in the year 1978, said that he could not close on an optimistic note for the future and faith in the further development of the corporation.

The worsening oil crisis, taking place at a time of unfavourable economic circumstances, had created a large number of problems for which there were no painless solutions, he said. Under these conditions, the Greek economy and EDH had a particularly difficult task to perform.

"Naturally, we can face the problems before us in cooperation with the Government and try to find solutions, but this will not be easy. For today there are no longer any easy solutions, and sacrifices will be required," Mr. Moyses said.

Mr. Moyses reviewed the anomalies being created on an international scale and for the Greek economy. After the latest crude oil price hike, he said, the after-effects of inflation and the high cost of finding oil substitutes would be the major reasons for the continuation of the crisis over a long period of time.

Mr. Moyses said that by the end of June possible sites for a nuclear power station would have been examined, but further decisions would be taken in 22 months. In addition, an increase in lignite production was being planned, and 12 more hydroelectric plants would be put into operation within the next 10 years.

As far as the discovery of new energy sources is concerned, Mr. Moyses said DEH is cooperating with Greek and European research units for the development of solar and aolian generators.

Referring to DEH requests to the Government for increases in the price of electricity, Mr. Moyses said they should not be rejected for a number of reasons: The price of electricity in Greece was one of the lowest in

Europe, increases in the price of electricity had not kept up with the rate of inflation, and DEH had to increase its assets.

Mr. Moyses said that what was worrying him was that "we do not appear prepared to accept the sacrifices made necessary by the energy crisis."

CSO: 4920

GOVERNMENT TO INCREASE TAX BITE

Reykjavik MORGUNBLADID in Icelandic 29 Apr 80 p 46

[Text] Every five-person family will pay, on the average, 650,000 kronur in additional taxes this year than last year, including sales tax, tariffs, money for agricultural cooperatives, income tax and energy equalization fees. These higher taxes are due to the policies which the current government has adopted. Besides this, every five-person family will pay 600,000 kronur more taxes this year as a result of the tax hikes which the leftist government approved last year.

This means that the taxes paid by the general public this year will increase by approximately 28 billion kronur as a result of the policies of the current government and will, in addition to this, be 26 billion kronur higher because of the policies of the former leftist government. This information came out in a speech which Larus Jonsson, co-chairman of the MPs of the Independence Party, delivered as part of the radio announcements from the Althing yesterday evening. In Larus Jonsson's speech, the following points were also mentioned:

--At the present time, a 15-20 billion kronur deficit exists in the balance of trade with foreign countries. The balance of trade was approximately 7.2 billion kronur in the red last year, but it was approximately 9.7 billion kronur in the black in 1978, the last year of the administration of Geir Hallgrimsson.

--The burden of payment of interest and dividends from foreign loans will be 16 to 17 percent this year, and will increase next year to 18.2 percent, according to the new calculations of the Currency Bank.

--It is expected that this year a new foreign loan will be taken out, in the amount of 90-100 billion kronur. The Minister of Finance announced yesterday evening that this figure would remain somewhat lower than 90 billion. This will increase our foreign loan indebtedness from the point at which it stood at the end of last year, involving 335 billion kronur.

--New estimates, which the National Economic Foundation has made in cooperation with the Economics Office, indicate that the cost of living will rise approximately 13 percent on 1 May, 9 percent on 1 August and no less than 10 percent on 1 November. This means that this year's inflation rate will be twice as steep as the current government estimated in its calculations. Estimations made by the National Economic Foundation have generally turned out to be too low, according to Larus Jonsson.

--According to these estimates, the currency rate will rise next 1 June approximately 11-11 and 1/2 percent, which will raise salary payments approximately 11-12 billion kronur.

9584

CSO: 3111

CHAMBER OF COMMERCE COMPLAINS OF RISING TAXES, INFLATION

Reykjavik MORGUNBLADID in Icelandic 19 Apr 80 p 35

[Text] Eleven hundred years ago, a band of Norwegian farmers left their country and moved with their households and retainers to Iceland. The reason: They could not tolerate the tyranny and austerity of the Norwegian rulers, and they wanted to try their hand at self-rule and a better standard of living in another land.

In our day, hundreds of Icelanders are leaving their country each year and moving to other lands. The reason: These people cannot tolerate steadily worsening standards of living, continually higher taxation and a problematic economic situation. They look to the places where better standards of living, more stable economic conditions, and more freedom of movement are available.

What Should We Do? How Did Things Get This Way in Iceland?

Iceland has fallen back in the race, compared to other nations, as far as general living standards go. The proof of this is our inflation, which devalues the activities of salaried employees in this country and leads to a continually lower standard of living for the common man. There is no natural freedom of movement in private enterprise, which is taxed far more than is reasonable, demonstrating more graphically the necessity and economy of some kind of renewal or reconstruction in the realm of private enterprise. Thus the professions continue to be less efficiently equipped to supply an improving living standard for the people of Iceland. Besides this, the people are also forced to pay continually higher taxes. Continual tax hikes are hardly easy to live with, for the common people.

Tax Burdens Get Heavier; Taxes Increase; and Taxes Multiply. Why?

All of the funds, which the public authorities control, they have taken out of the pockets of the taxpayers, or borrowed, with the idea of imposing taxes later on interest and dividends. Only in fairy tales can you get something from nothing. Government funds increase when taxes increase. Demands for increasing government funds have, therefore, resulted in continually higher taxes. No matter how we try to fool ourselves, the common

man has to pay the bill sooner or later. The more extensive government spending becomes, the heavier the tax load gets which rests on all of our shoulders:

--Taxes, both direct and indirect, take up larger and larger portions of our salaries. In 1950, taxes for the government and the agricultural cooperatives were 25 percent of the income of the people, in 1970 they were 35 percent, and it is expected that approximately 45 percent of the income of Icelanders will go for taxes this year. Continuing at the same rate, taxes will have increased to 55 percent of salaries by 1985.

--We now work for 5 1/2 months, from January all the way into the middle of June, in order to finance the expenditures and undertakings of the government.

--In 1967 there was one person in government employ for every seven employ in the private professions. Ten years later there was one person in government employ for every four in the private professions.

--In 1968, barely 20 percent of the government's tax income went to pay salaries. Ten years later, a little under 30 percent of the government tax income went for salaries. Our tax money is being used at an increasing rate to keep a huge bureaucracy going, which endangers our economic and political freedom.

How Will It All End? Will This Negative Trend Continue? Of Course It Will, If Nothing Is Done to Change It

Our forefathers may have had to leave their homeland, but we have more alternatives than they did. This is because we live in a republic. We can shore up the ship of state by making Iceland more habitable. This is why we have the Althing:

--The Althing can set limits on government expenditures and stop unnecessary spending.

--The Althing can enforce frugality and economy in the management of government business, bring revenue and work to the agricultural cooperatives, and discontinue activities and services which have no right to keep on existing.

--The Althing could refuse to pass new taxes, make existing taxes lower and limit the taxes collected to (for example) one-third of the national income.

--The Althing could stop unnecessary interference and regulation of the private professions, thus granting the corporations greater freedom of movement, for the economic good of the common man.

We want to be Icelanders. We want to live in Iceland. Continually increasing taxes, on the other hand, work against living in the country.

The Althing will, therefore, have to decrease the taxes collected, lower government spending and unchain private enterprise, so that the resources and opportunities available in our country can serve as the foundation of our attempts at better living standards.

If we continue in the same track, private enterprise in our country will continue to decline. Employment opportunities will decrease. Monetary values will decrease. The buying power of salaries will worsen. Prices will continue to rise at an increased rate and people will continue to leave the country--in increasing numbers.

This can't be the future that we want. The Icelanders need, therefore, to agree to convince the Althing to decrease government spending, lower the amount of taxes collected and give private enterprise more freedom of movement. Our future depends on it.

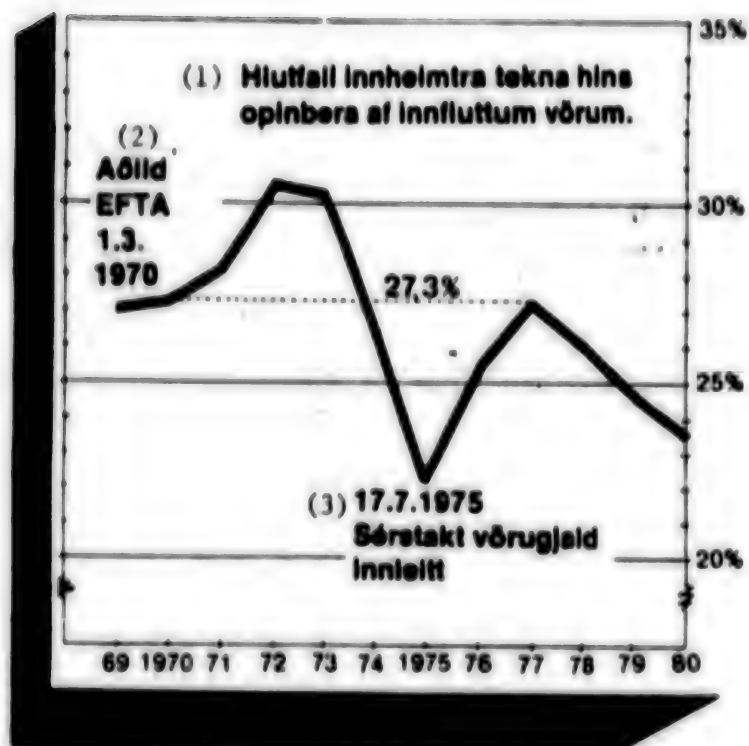
Reykjavik, 14 April 1980.

The Icelandic Chamber of Commerce



Key:

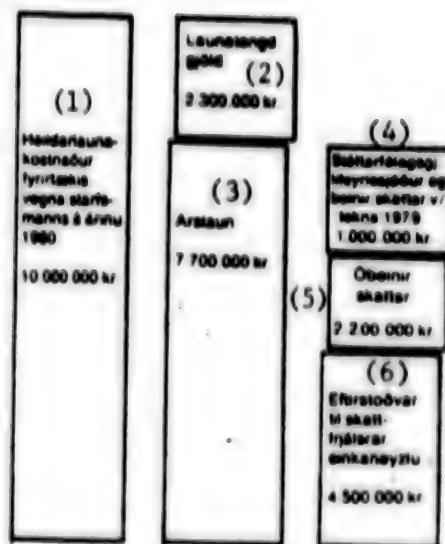
1. Total Amount of Taxes Taken Out of National Incomes (Gross)
2. The line shows taxes collected for the government and the agricultural cooperatives. Taxes from the subsidy system, 1950-1960, are not included. Fees for general insurance, emergency funds, and oil tax are included.



Key:

1. Ratio of Collections Taken by the Government of Imported Goods
2. Participation in EFTA [?]
March 1, 1970
3. July 17, 1975
Special tariff imposed

What Happens to Your Salary?



Key:

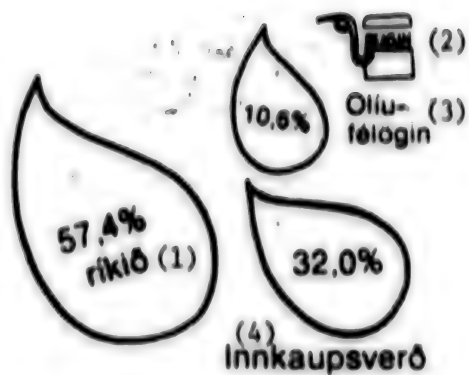
1. Total salary expenditures of a company for one employee, 1980
2. Money connected with salary
3. Yearly Salary
4. Union dues, social security and direct taxes on income for 1979
5. Indirect taxes
6. Left over, tax free, for use of individual

[Text under graph]

Before your salary gets paid to you, your employer has to deduct various salary-connected funds, such as insurance funds, income tax, and his contribution to your social security fund. Out of your salary you have to pay your union dues, social security and income taxes for the previous year. When you can finally use your earnings to buy goods and services, you still have to pay a multitude of indirect taxes such as transportation tax, sales tax, entertainment tax, and a long list of others. When everything has been accounted for, there are only 4,500,000 kronur left of the 10,000,000 original salary, for tax-free individual consumption--in other words, 45 percent. You lose 55 percent to someone else.

Indirect Taxes

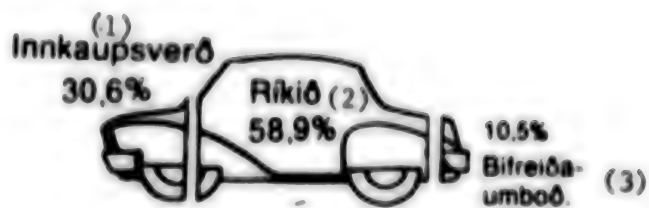
The Price of Gasoline



Key:

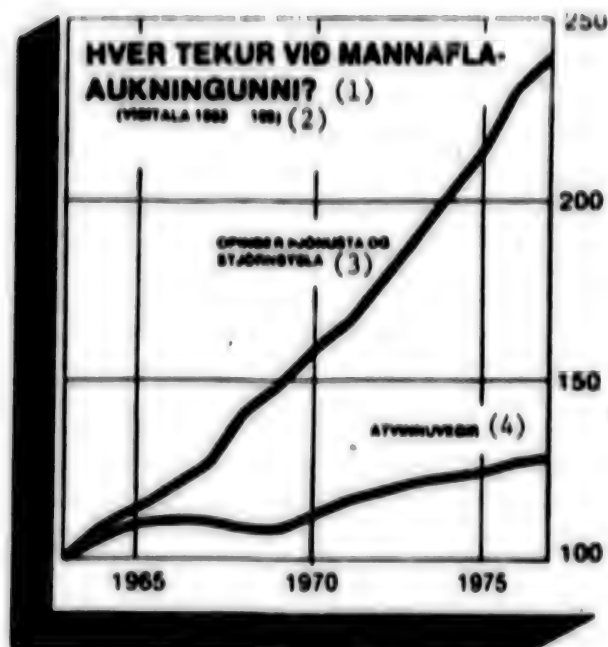
1. Government
2. Gasoline
3. Oil Companies
4. Import Price

The Price of Automobiles



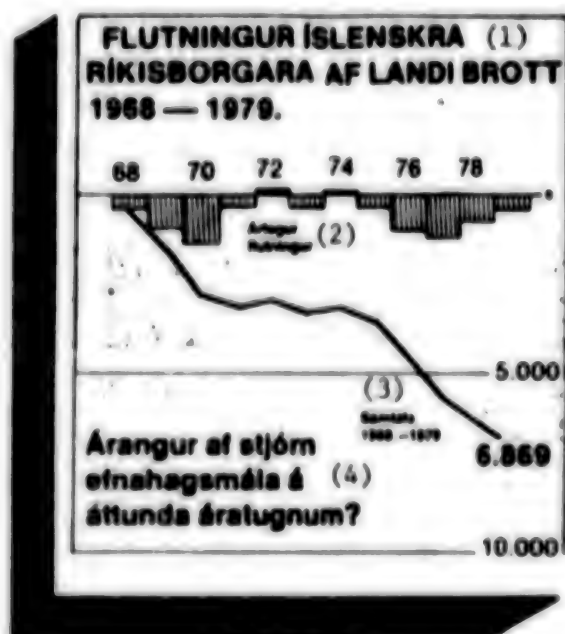
Key:

1. Import Price
2. Government
3. License Fee



Key:

1. How Is the Increase in Manpower Developing?
2. (based on 100 employees in each sector in 1963)
3. Public services and government
4. Private professions



Key:

1. Emigration of Icelandic Citizens, 1968-79
2. Yearly emigration
3. Total 1968-79, 6,869
4. The Result of Mismanagement of Economic Matters in the Seventies?

9584

CSO: 3111

TEXT OF PANDOLFI'S 1979 ECONOMIC REPORT TO PARLIAMENT

Rome IL FIORINO in Italian 8, 9, 10 May 80

[Article: "The 'Second Phase' of Italian Inflation"]

[8 May 80, p 3]

[Text] This year the general report on the country's economic situation has a new format intended to make it more systematic without reducing the kind of information it has imparted for more than 30 years.

The general report was created to give parliament and the public basic economic information. It has been enriched with new sections and content over the years and has had other government documents occasionally appended to it to supply information on economic policy.

While it is still as definitive as it ever was, its structure has changed to reflect this continual enrichment, but it has also had to be connected more effectively with other documents. Hence it needed to be cast in a new form that meets two requirements: better systematizing the presentation, and maintaining the continuity of information with the past.

The general report is thus divided into three parts. In the first part, the economic results for 1979 are analyzed essentially on the basis of general national accounting: this part makes possible a general interpretation of the economy in the past year and thus constitutes the natural link with the other official government documents dealing with economic policy and planning objectives.

In the second part are assembled analyses of the public sector to show in general and in detail how the public sector worked, both in general and in its many agencies.

Finally, the third part deals essentially with factors relative to the population. Employment, assistance, and social provisions thus constitute an ample source of information on Italian demographic, economic, and social development and on action taken by the public sector in these areas.

The 1979 general reports are the first result of this systematization of such a vast amount of information. It will continue to be improved, the better to help parliament evaluate the progress of the economic system and thus to improve it or possibly assist certain processes within it.

In an international economic system marked by acute tensions caused by successive increases in oil prices and by general economic and political instability, Italy showed appreciable growth in 1979 (a 5 percent increase in the growth rate of the gross domestic product) and yet maintained a strong balance of payments with a surplus of 4.338 billion lire in current accounts. A deterioration in accounts with foreign countries became evident at the end of the past year and continued into the early months of 1980. It is the logical consequence of the worsening of exchange rates implicit in the increased price of petroleum, which is a fact that Italy shares with the other industrialized countries.

Italian economic growth in 1979 was thus even greater than that indicated in the provisional report drawn up in October 1978 and greater than that planned a few months later in the preliminary phases of the three-year plan. Even employment growth has exceeded expectations. In 1979 the number of people employed grew by about 200,000 and continued at a rate that would reach about 300,000 some time in 1979.

The growth of the Italian economy has been made possible by the strong rise in exports (up 8.9 percent), which is greater than the contemporary increase in world demand, and by increased family consumption (up 5.1 percent), which has been sustained by increased available income.

Investments also played a significant part, especially productive investments, which increased at a sustained rate in 1979 after two years of remaining static. This is also a result in line with the objectives set by the three-year plan, which considered renewed savings a condition necessary to the balanced development of the Italian economy. In this area, the public sector--taken in the broadest sense--has significantly sustained the economy, although it cannot be said that all the objectives set have been met. Investment in the general public sector rose by 22.3 percent in 1979 for a total of 12.262 billion lire. Programs under way were continued, and particular procedures were put into effect for checking on work actually accomplished.

Aside from investment, economic action in the public sector substantially followed the lines planned and enunciated at the beginning of the year, although international and domestic political and social events necessarily required specific adaptations. Generally speaking, 1979 held the line in the public sector. Compared to the deficit--relative to the gross domestic product--of 9.7 percent in 1978, it was only 9.4 percent in 1979. This reduction was due to both a sustained increase in income and a slowing increase in current expenses, particularly transfer payments.

The reduction of the public deficit and growth of foreign accounts have provided an ideal increase in credit to the economy for easily financing the strong recovery in production and investment. The total domestic credit actually grew as planned, which means ample funds are available to the private sector, provided the needs of the government sector were reduced in 1979.

International and domestic tensions have made it possible to exceed decisively the objective of slowing inflation.

The year 1979 was one of high inflation in all countries; Italy could not avoid it on its own, but the size and rate of inflation show once again that mechanisms are at work amplifying inflationary shocks from abroad.

In 1979 the consumer price level grew by 14.9 percent, just a bit above the rate indicated in the three-year plan, and is justified by the so-called oil price rise and the general worsening of world-wide inflation. But while this "excess" in the middle of the year is relatively proportional to the new external tensions produced in 1979, the acceleration in the rate of inflation in the course of the year--it reached 19 percent in 1979--is the proof of the country's incapacity to absorb in the short run external pressures on costs by processes of indexing that allow price rises to ripple out through the economy. This phenomenon thus amplifies inflationary pressures in the long run and makes it harder to absorb shocks from abroad without avoiding the loss of spending power that it implies. Thus, while the process broadens out and depresses trade--avoided in 1979 through monetary policy--the national and individual loss of buying power is felt later and all the more keenly.

The Italian economy is now going through the second phase of this imported inflation, and a new wave is coming from the continued rise in oil prices (more than doubled in 12 months).

As in all the other industrialized countries, inflationary tensions are both cause and effect of maintaining production at a high level. The economic slowdown predicted a few months ago has thus moved closer and with it the containment of inflationary tendencies. The Italian economy is going through a crisis in which productive capacity is being subjected to consistent pressures.

In this situation, demand has leveled off and pressures on the balance of payments are high, although they are spread throughout the industrialized countries including, primarily, those that had until a short time ago ample surpluses in their balance of payments.

The rise of interest rates on the international markets is tied in with balance of payments difficulties and have been destabilizing trade for a year. But the year 1979 was characterized by relative cohesion among the currencies of the European Community, which was thus able to approve the European Monetary System. In this context, the risk of an unexpected reversal of international economic tendencies is greater, as are fears of an amplified cyclical phase in the new economic rhythm of the industrialized countries.

The international situation as seen from Italy thus appears particularly uncertain and yet likely to affect the economy. In this context it appears all the more urgent to reduce foreign impact on the economy so that domestic instability will not add to foreign-caused instability and thus once again impede the Italian economy's capacity for recovery.

[9 May 80, p 3]

[Text] As in other industrialized countries, the Italian economy showed consistent expansion in 1979 after two years of moderate development. The gross domestic product grew by 5 percent in real terms and was accompanied by a sharp increase in the importation of goods and services (up 14 percent), which increased by 6.4 percent the growth of available resources.

The forecasts made in the Outlook and Planning Report for 1979 as well as those underlying the three-year plan were thereby substantially confirmed in development terms, but the events that followed throughout the year in the international field changed the time estimate.

The new, massive rise in oil prices, the increasing scarcity of other raw materials, international political tensions, and, more recently, new turbulence on the exchange markets have produced a sharp increase in the rate of world inflation and especially in Italy's economy, where specific internal factors have lengthened and increased it.

Foreign accounts have held up well under foreign tensions, making Italy almost unique among the industrialized countries in coming through 1979 with a positive balance of payments, thus making possible the payment of installments on loans taken out in preceding years as well as a conspicuous increase in currency reserves. But this substantial activity in foreign accounts has been accompanied by consistent changes in the structure of the balance of payments, where large individual deficits were compensated by increased surpluses in other areas. These changes have made the Italian balance of payments more fragile in a way, because the pressure of tensions had caused the balance of payments to deteriorate noticeably by the end of the year.

The increased tension in foreign affairs and relevant domestic activity (e.g. the renewal of labor contracts, which affected more than 2/3 of Italian workers, and the anticipated political elections) have affected the Italian economy, causing certain oscillations in it, and altering the outlook for the short and middle terms. Without undergoing the trauma of 1974 all over again, the Italian economy was subjected to economic tensions in a phase that was already critical because it was characterized by a productive recovery of relevant size and speed. Demand recovery went together with accelerated price increases, but production gaps caused by contract strikes in 1979 also caused tension on the supply side and increased imports. The following autumn recovery was sustained first by technical factors and then became a real production increase fed by supply and inflation. The expected year-end slowdown did take place, and the economic downturn approached in a climate of ever-increasing tensions, in Italy as well as abroad.

Expansion in 1979 was due to a general resurgence of demand, especially in exports--which was the "motor" of the recovery in 1978--and in domestic consumption.

Market exports registered strong growth (up 8.9 percent) for the second consecutive year and were greater than the overall growth in international demand. But the increase was not uniform over the course of the year and was subject to many factors affecting the sale of Italian products abroad. The rapid increase between the end of 1978 and the beginning of 1979 was aided by both the improvement in price competitiveness and the geographical and market factors in world demand, and this increase was followed by some restructuring in the second half. This was caused by the production slumps due to strikes in the middle of the year, to domestic demand competing with exports, and to diminished competitiveness. The stability of the lira and the growth of production costs greater than in other countries actually reabsorbed in the second half of 1979 a large part of the surpluses accumulated in previous years.

Growth in consumer demand was less uneven and was the other important factor sustaining the recovery (domestic family consumption was up 5.1 percent). A precondition of the recovery was the growth in family take-home pay in 1978, which was not followed by an analogous growth in spending, as family spending usually lags behind changes in income. The subsequent trend to increased consumption was fueled by increased transfer payments beginning in 1979 by pay increases, and by new, improved contracts. Increased inflation in the last part of the year gave a final push to buying. The demand for consumer goods thus showed more or less constant growth aside from specific cases of increase due to accidental factors.

Demand for capital goods has followed in the wake of this expansion and has favored the increased use of plant and larger profit margins; thus, capital goods showed a gradual recovery since the last months of 1978, particularly in productive investment. The availability of investment (up 4.5 percent) was also affected by contract strikes in mid-1979 and started to grow again only at the beginning of autumn. Delays thus affected the year-long investment curve.

Inventory building also showed marked growth in line with the recovery, though it seemed less than that in other, similar phases; it was stimulated by the growth in production of end-use consumer goods, investment, and, at the end of the year, by price-rise anticipation. Variations in supply also added a point to the growth of the gross domestic product, reversing the trend of 1977-78.

In a year in which domestic demand showed strong recovery and prices continued to rise consistently, the public sector acted so as not to stimulate demand further but to contain and direct it.

The Public Administration's deficit relative to the gross domestic product fell from 9.7 percent in 1978 to 9.4 percent in 1979. But more than the change in the deficit, it is worthwhile to note the sustained effect of certain income on public finances in the course of the year (not counting income from "anticipated taxes" instituted in the previous year): reducing tax evasion, increasing certain taxes (determined so as to equalize individual tax burdens), and the automatic anticyclical action of taxes (particularly the individual income tax). In periods of increasing inflation, these actually grow proportionally more than taxable income does, thus acting as a kind of brake on rising prices.

Expenses, on the other hand, were subject to containment based primarily on the modification of automatic mechanisms for adjusting INPS [National Social Security Institute] pensions above the minimum; new norms for accumulating more pensions also worked in this direction; revision of improper pensions; and prohibiting communes and provinces in deficit from increasing expenses of any kind.

Besides the anticyclical actions taken in general public finances in the past year, certain measures were taken that tend to insure business competitiveness. Taxes for social programs already in effect in 1978 were reconfirmed, but reimbursement for the IVA [Value-Added Tax] was increased in frequency to a twice yearly basis.

The decreased pressure of the public deficit and a continuing positive balance of payments made possible a monetary policy that financed the strong recovery in production and investment by making ample credit available to the economy.

The total domestic credit rose by about 54.2 billion lire compared with 49.4 billion lire the year before. In the presence of flexible government-sector needs, and in comparison with forecasts made at the beginning of 1979 and with the previous year's demand, financing granted by credit institutions to the other sectors increased markedly.

After paying debts outstanding and transferring funds to financial intermediaries, the government sector's internal needs came to 27.9 billion lire in 1979 as opposed to 28.5 billion lire in 1978 with a 2 percent reduction relative to the gross domestic product.

Demand for funds from the public sector remained relatively low in the first quarter after sharp growth at the end of the previous year, and then demand grew until summer. It changed shape again in the second half of the year and in the last two months, particularly, as a result of postponing payments to public corporations.

Government-sector financing by financial intermediaries and capital markets came to 26.3 billion lire, 8 billion lire more than planned at the beginning of the year. Bank loans in general grew by 21.2 percent to a total of 18.45 billion lire (9.5 billion in 1978), but special credit union loans remained at a level below that of the previous year (5.8 billion lire as opposed to 6.5 billion in 1978); there were difficulties in setting up a new system of industrial investment incentives because of the drop in demand. Relative to total credit, public agency and corporation obligations decreased to something less than 600 billion lire (1.1 billion in 1978). If consideration is also given to credit operations made by the government especially in the form of grants to public corporations, the total financing utilized by other sectors comes to 27.3 billion lire.

In the first half of the year, the influx of money from abroad was favored by a positive interest differential and thus avoided putting strain on bank loans, although credit demand did not slacken. First the reversal of capital movement

and then the necessity of financing the strong recovery in production in the presence of increased inflation caused the relevant import limits to be exceeded, despite rising rates in the last quarter.

The financing obtained by adding stock issues (3 billion lire, as in 1978) to internal credit, and that coming from middle- and long-term foreign financing (2.35 billion; 1.55 billion in 1978) totaled 59.5 billion lire as opposed to 53.9 billion in the previous year.

The relatively relaxed condition of the market in the first half of the year kept interest rates stable or only slightly fluctuating. The situation has changed since then especially with respect to conditions abroad: in the third quarter of the past year, the worsening of inflation expectations and the rise in foreign interest rates induced monetary authorities to intervene in the structure of bond yields and gradually increase long-term rates. In the last quarter, increasing inflation and productive activity, greater than expected demand for credit, and the continued rise of foreign interest rates brought about a broader change in the levels of interest rates: on 6 October and 5 December, coincidentally with phases of great instability on international exchange markets, the discount rate rose 1 1/2 and 3 points, respectively. Ordinary treasury bond yields were similarly affected, but the yields of long-term bonds dropped about a point.

The action taken on interest rates in the second half of the year caused the monetary component of all savings to continue to diminish, as it had already done in the first half of the year, dropping from 75 percent in 1978 to 70 percent in 1979 with a shift to short- and very short-term notes. The rate of increase in the money supply in notes and deposits fell from 22.8 percent in 1978 to 19.4 percent in 1979.

[10 May 80, p 3]

[Text] Despite a relatively continuous increase in demand, production was not exactly regular throughout the year mainly because of the climate of increased confrontation in midyear in connection with negotiations for the renewal of important industrial labor contracts and also with various foreign influences. The gross domestic product grew 1.4 percent in the first quarter, fell by 0.3 percent in the second, increased again in the third quarter (up 1.1 percent despite strikes through mid-July and the subsequent summer pause) and was up again by 3.9 percent in the fourth quarter.

Industrial production was even more irregular. The high levels achieved in the early months of 1979 were followed by a drop in spring and summer with a recovery in the fall with two consecutive record highs. As industrial production did not meet demand, this discrepancy gave rise to tension at certain times because more imports were necessary (particularly in metallurgical products, ready to wear clothing, and chemicals) and because deliveries had to be delayed. Heavy inventory draw-down also explains the relatively low formation of inventory in 1979 compared to the previous cycle. The autumn recovery, while strong, did not entirely make up for the losses of the previous months:

suffice it to say that the average growth in the industrial sector (6.1 percent over 1978, the highest in the last 3 years) is lower than what might have been achieved even if the year's progress had been stationary at the level of February 1979. In those months, the general index of industrial production was more than 8 percent above the average for 1978; it fell to below 1.3 percent in June for a fall of 9.4 percent in 4 months. A resurgence began at this point, slow at first (up 3.6 percent in July and August) then much more rapid, reaching the new record in November (10.7 percent above August) and plateauing into early 1980 at the same high levels.

The mid-1979 supply slumps largely caused the technical rebound that has been sustained in recent months and have also indirectly helped shape the year-end buying that will also presumably affect production.

It is characteristic of this phase of expansion in the Italian economy that production has shown rapid growth.

This has not been a uniform trend--the recovery of production has been very uneven--nor is it true for all production factors. But it has reached at certain times and sectors such high levels as to restrain the growth of supply and constitute a factor in heightened imbalances in terms of both trade and inflationary pressures. The appearance of certain supply difficulties after only a year's recovery points to specific insufficiencies caused by low investment in past years. The recovery in the rate of capital accumulation in 1979 may partly alleviate this in the future.

In the industrial sector, plant use in the last quarter of 1979 was 77.1 percent, returning to levels above those of 1976 and near those of 1973, a year of high rate of use. Certain sectors had particularly high rates of use: this was the case in some consumer-goods industries and, at year's end, in some industries producing capital goods.

This relatively high activity has favored employment, which has increased even in the industrial sector (up 2 percent between late 1978 and late 1979) after falling for 4 years. Italy thus reversed a trend that seems to be common to all industrialized countries. Increased employment in service industries was much more consistent, which conforms to trends noted in all countries. Total employment had thus increased by mid-1979 by 1,000 units. This increase alone is half of that expected in the 3-year plan. It should be emphasized that this increase in employment especially affected the South.

Despite increasing employment but in proportion to an increase in the working population, the number of people looking for work also rose. The unemployment rate reached 7.6 percent in the 4th quarter of 1979, thus confirming that in the initial period of expansion, unemployment and development go hand in hand because economic recovery gets people out looking for jobs, and this brings both sets of figures up.

The strong but uneven expansion in production in 1979 was accompanied by equally strong and uneven growth in imports. After consistent foreign buying at the end of 1978 and the beginning of 1979, particularly in purchases of oil to anticipate eventual price rises and in purchases of raw materials, there followed some slack in the middle of the year when, however, a marked change in the nature of the import market took place. Raw materials and oil purchases declined in a technical reaction to stockpiling and the aforementioned labor shortage. But partially and fully finished products rose consistently to make up for insufficient domestic supply. Almost all imports rose sharply in the last quarter of the year.

The deterioration in the 1979 trade balance must be ascribed to this large "real" increase in imports rather than to a worsening of the exchange rate. In fact, despite the rise in oil prices (up 31.7 percent in mid-1979), import prices increased only 17.5 percent, only a little more than export prices (16.4 percent).

The year 1978 had a substantially even trade balance (negative 363 billion lire with imports valued at CIF [cost, insurance, and freight] prices and exports at FOB prices). On the same basis, 1979 closed with a trade deficit of 4.726 billion lire, more than 3/4 of which was incurred in the last third of the year. Oil costs grew despite a modest 1.3 percent increase in imports of crude. The "oil deficit" grew from 9.019 billion lire in 1978 to 10.627 billion in 1979 almost exclusively because of increased purchase costs. Other markets netted a smaller surplus of 5.155 billion lire, compared to 7.021 billion in 1978, as a result of greater net imports of food, metals, and chemicals, which were only partially compensated for by increased net sales of textiles, clothes, and machinery. As a final reflection of trade deterioration, the amount of imports covered by exports diminished from 99.2 percent in 1978 to 92.7 percent in 1979.

While exchange rates were stable at midyear, they did decline throughout the year as oil price rises affected import costs. As a consequence, the ratio of export prices to import prices dropped from 81.2 percent in December 1978 to 77 percent in December 1979.

This contributed to worsening the trade deficit in the last months of the year over and above the effect of the "real" deficit component mentioned above.

The growing trade deficit was largely compensated in midyear by the positive contribution in services and income of tourist agents, tourism, and exchange, yielding a net surplus in the balance of payments and putting Italy in first place among industrialized countries (+4.338 billion lire), as has been mentioned. Especially in the first part of the year, this made it possible to pay installments on loans contracted earlier. But this gain did not suffice to offset the negative tendency at year's end--as was also the case for other countries--so that the overall balance of payments did show a net loss.

The surplus was thus gradually reduced, and monetary transactions remained active till the beginning of autumn. The trend then reversed itself, and in the last 4 months a deficit of more than 650 billion lire was incurred, as opposed to 7 trillion lire the year before.

The vicissitudes of the balance of payments had only a limited effect on the lira. From 13 March 1979 on, EMS [European Monetary System] guidelines were followed, with priority given to avoiding additional inflationary input into the system through foreign-caused changes in the value of the lira.

The exchange rate remained essentially stable in 1979, reflecting the rise in value of the lira compared to the dollar (3.8 percent appreciation) and decline compared to the mark (4.3 percent depreciation). These trends had positive effects on inflation, both in terms of competitiveness in the particular structure of Italian imports (characterized by a high quota for energy and raw materials, billed in dollars) and in exports (most of which went to European Community countries).

As for the movement of exchange rates within the EMS, the lira was the most appreciated currency in the system in an initial phase (up to the month of August) relative to the weakest currency in the system. It occasionally touched 5 percent, 6 percent being the highest increase allowed for Italian currency. The lira's position changed sharply in September, despite the Bank of Italy's support. In the second half of November and the beginning of December, the lira entered a phase of weakness that brought the currency into the middle of the band of permitted oscillation.

The lira again improved its position in January and February 1980, alternating with the French franc as the strongest currency in the system, the Belgian franc being the weakest.

Skyrocketing petroleum costs have grafted inflation onto the principal industrial systems and propagated it. In Italy, inflation is also expanded by the processes of indexing, which increases the impact of external forces, by accidental supply shortfalls in some cases, and by insufficient productive capacity in other cases.

The year-long rise in wholesale prices was 21.1 percent, with 9.4 percent in the first half and 10.7 percent in the second half. Only in the case of June did monthly variations fall below 1 percent. Beginning in August, they stayed almost constantly near 2 percent and exceeding it on 2 occasions. The market profile shows inflation to be widespread, though with widely divergent fluctuations attributable to types of goods and time of year. The year's most conspicuous increases were in the area of non-food products, with 60 percent for crude oil and 35 percent for gasoline and lubricants. Less, but still marked were the price increases on intermediate products (26 percent) and finished products (17 percent).

The consumer price system was pushed by the level of wholesale prices but at the same time discounted the effects of tariff equalization, administered prices on raw materials, and the successive due dates of rental and equalization costs. The year's rise came to 18.8 percent without any significant pause, showing a tendency to accelerate in the second half (up 10.1 percent; the first half was up 7.9 percent). Price rises affected products (up 18.6 percent) almost as much as services (up 19.5 percent). Among products, non-food items were up 23.4 percent and, among services, housing was up 32.1 percent, combustibles and electricity were up 36.7 percent, and transportation and communication were up 24.5 percent.

The intense rise caused living cost adjustments of 6 points in February, 8 in May, 6 in August, and 8 in November.

The year 1979 ended with appreciable gains in production but also sharply accelerating inflation and growing deterioration in foreign accounts. The first indications of 1980 are that these trends will persist in an even tenser international climate. Increased consumption prevails in most industrialized countries; it may sustain their economies in the short run but raises serious questions about possible future development.

In this overheated climate, where increasing inflation superimposes growing imbalances on the balance of payments (suffice it to say that the OPEC countries are expected to show a balance of payments surplus on the order of \$120 billion in 1980 to appreciate the amount of individual deficits necessarily befalling other countries), the economic situation is becoming uncertain, leading to speculation rather than dealing with real variables.

The industrialized countries' currency devaluation implicit in the rise of oil prices and other raw materials has so far been blunted by a strong wave of inflation. It will eventually cause an economic slowdown in all countries.

Italy cannot escape this process, because exports play such a large part in its economy and especially because it is caught up in the business cycle prevalent in all industrialized countries. But the expected economic slowdown may be as severe as the imbalances preceding it. For this reason it seems urgent to bring the rate of inflation in Italy back down to levels nearer those in other industrialized countries.

[Tables on following pages]

(1) **TABELLA N. 1. - Conto economico delle risorse e degli impieghi**
(in miliardi di lire correnti)

(2) AGGREGATI	1975	1976	1977	1978	1979
ENTRATE: (3)					
Prodotto interno lordo ai prezzi di mercato... (4)	125.378	156.657	190.083	222.369	268.898
Importazioni di beni e servizi... (5)	27.832	39.843	46.519	52.559	70.407
TOTALE ...	153.210	196.500	236.602	274.928	339.275
USCITE: (6)					
Consumi finali interni... (7)	101.473	123.553	150.294	176.265	212.462
- delle famiglie	81.446	99.504	120.329	139.708	168.803
- collettivi (c)	20.027	24.049	29.965	36.557	43.659
Investimenti fissi lordi ... (8)	25.776	31.396	37.203	41.494	50.289
- investimenti fissi netti	12.857	15.603	17.761	19.130	23.770
- ammortamenti	12.919	15.793	19.442	22.364	26.519
Variazione delle scorte ... (9)	— 352	5.666	3.477	3.073	7.945
Esportazioni di beni e servizi (d) ... (10)	26.313	35.885	45.628	54.096	68.579
TOTALE ...	153.210	196.500	236.602	274.928	339.275

(a) Al netto dei consumi finali all'estero dei residenti

(b) Compresi i consumi finali nel Paese dei non residenti

(c) Consumi delle Amministrazioni pubbliche e delle istituzioni sociali private

(d) Al netto dei consumi finali nel Paese dei non residenti

- 1 Table No 1: Balance Sheet of Income and Expenses (in billions of current lire)
- 2 Items
- 3 Income
- 4 Gross domestic product at market prices
- 5 Imports of goods and services (a)
- 6 Expenses
- 7 Domestic end-use consumption (b)
 - by families
 - by organizations (c)
- 8 Fixed gross investment
 - net fixed investment
 - amortization
- 9 Variation in reserves
- 10 Exports of goods and services (d)

(a) Except for consumption by Italian residents abroad

(b) Including consumption by non-residents in Italy

(c) Consumption by public administrations and private social institutions

(d) Except for consumption by non-residents in Italy

(1) **TABELLA N. 2. - Conto economico delle risorse e degli impieghi**

(in miliardi di lire 1970)

(2) AGGREGATI	1975	1976	1977	1978	1979
ENTRATE (3)					
Prodotto interno lordo ai prezzi di mercato (4)	71.851	75.011	76.435	78.401	82.287
Importazioni di beni e servizi (a) (5)	13.134	14.005	13.983	15.122	17.236
TOTALE ...	84.985	89.016	90.418	93.523	99.523
- USCITE (6)					
Consumi finali interni (b) (7)	56.275	58.138	59.455	61.085	63.932
- delle famiglie	43.395	46.976	48.071	49.465	52.001
- collettivi (c)	10.880	11.162	11.414	11.620	11.929
Investimenti fissi lordi (8)	12.745	13.044	12.998	12.985	13.575
- investimenti fissi netti	6.402	6.486	6.240	6.017	6.407
- ammortamenti	6.343	6.558	6.756	6.968	7.168
Variazione delle scorte (9)	— 143	1.865	903	703	1.591
Esportazioni di beni e servizi (d) (10)	14.108	15.969	17.032	18.750	20.425
TOTALE ...	84.985	89.016	90.418	93.523	99.523

(a) Al netto dei consumi fino all'estero dei residenti.

(b) Consumi e consumi finali nel Paese dei non residenti.

(c) Consumi delle Amministrazioni pubbliche e delle istituzioni sociali private.

(d) Al netto dei consumi finali nel Paese dei non residenti.

1 Table No 2: Balance Sheet of Income and Expenses (in billion of 1970 lire)

2 Items

3 Income

4 Gross domestic product at market prices

5 Imports of goods and services (a)

6 Expenses

7 Domestic end-use consumption (b)

by families

by organizations (c)

8 Fixed gross investment

net fixed investment

amortization

9 Variation in reserves

10 Exports of goods and services (d)

(a) Except for consumption by Italian residents abroad

(b) Including consumption by non-residents in Italy

(c) Consumption by public administrations and private social institutions

(d) Except for consumption by non-residents in Italy

8782

CSO: 3104

SURINAMESE EX-MINISTER ASKS FOR NETHERLANDS ASYLUM

Rotterdam NRC HANDELSBLAD in Dutch 21 May 80 p 11

[Article by Rudie Kagie]

[Text] Amsterdam, 21 May--Johan Kasantaroeno, the former Surinamese minister of agriculture, saw the chance to escape from Suriname, as did some other government official when the military took over the government. He has asked for political asylum in Holland; however, he has not received an answer to his request. He does not feel very secure and is apprehensive that there may be people who have orders to kill him. He cannot get any sleep at night.

Another thing that keeps him awake is the fate of his family. His father has been jailed in Paramaribo and they are pursuing his two brothers. "The only reason I am talking to you is to let the outside world know that I am innocent," he said.

Entangled

When we brought up the Ormskerk-affair he quickly became entangled in the facts. He spoke at length about the achievements he accomplished as minister. He summed up production figures right out without any hesitation; but he did not know exactly how the contact with Ormskerk came about, or did not remember. At any rate it was in a cafe in Amsterdam that he met him for the first time. "I think it was about the beginning of March."

"I had read in the newspapers that Ormskerk had wanted to effect a coup in Suriname, but the military were a step ahead of him. He too had wanted to get rid of the entire Arron government. Ormskerk had wanted to take me in on this if he could have done so. I was curious to find out how he wanted to do that and then I even tried to get in touch with him."

One half-hour later the ex-minister contradicted himself, saying that it was Ormskerk who reportedly had asked him to come over for an audience, doing so by way of his secret telephone number.

"Ormskerk told me that he was planning a coup against the government of Chin a Sen. When I found out, I immediately cut short the conversation. I told him: I am not a military man; I am just a simple planter and therefore a situation where the bullet determines the future, as seems to be the case, does not appear to be right to me."

Admiration

"Yet I had much admiration for Ormsker," said the ex-minister. "That man was an enormous idealist, but not somebody who sought a totalitarian state. He did not jump into the situation wielding arms recklessly. He was a man who knew what he was doing. To be sure I doubt if there is truth in the story about the counter coup which he was planning. My impression was that Ormskerk was in Suriname for completely different purposes and I just don't know what these were. During his stay there Ormskerk must have gotten ready for an interrogation which never took place."

"Moreover, Ormskerk died as a result of an accident. As a result of the panic which arose at the time the military council said that Ormskerk had wanted to perpetrate a coup d'etat. That gave them an immediate opportunity for bringing charges against many persons and consequently that's what has happened to me."

Criminal

Kasantaroeno got a hold of a copy of the Suriname morning newspaper DE WARE TIJD. His picture was displayed there prominently and accompanied by a "wanted" caption. "Look for yourself--as though I was a prominent criminal," he called out angrily. "This is the same newspaper which just 6 months ago was saying that Kasantaroeno was the best minister of agriculture that Suriname ever had during the past 10 years."

He stated that he is hardly interested in politics. It was because a strong appeal was made to him to accept the ministerial position...otherwise he would never have gotten into this in February of 1979. He had to reconcile himself to enormous sacrifices. His family hardly ever saw him. He had to sell his engineering bureau...and now to top it all--all these accusations.

"They say that I have been corrupt, but that is entirely untrue. I had just started investigating corrupt practices. I completely deny scheming with the issuing of plots of ground as I am accused of having done."

Hand Grenade

"I hope that some day I will be able to drive through Paramaribo with my automobile windows open without fearing that someone would throw a hand-grenade inside the car. I tried to restore democracy through diplomatic channels. In the beginning I thought that I could promote the idea of having the people of Suriname voice their opinion through a referendum.

That chance is now gone. I had hoped that the people would rise up and force the military to reconsider. I am now searching for other ways of restoring the legal order in Suriname. I never loose sight of this idea. I do not reconcile myself to what has happened now."

Johan Kasantaroeno will never again go into politics. He would rather make himself available for developmental aid. He has already asked to be informed whether Holland is willing to station him in one of the countries abroad as an expert in agriculture.

7964

CSO: 3105

UDP'S ALCOBIA ON OTELO'S BID FOR PRESIDENCY, OTHER ISSUES

Lisbon O JORNAL in Portuguese 30 May-3 Jun 80 p 10

[Interview with Jose Alcobia, member of the UDP Secretariat, by Luis Pinheiro de Almeida, of O JORNAL]

[Text] Jose Alcobia, 31 years old, member of the UDP [Popular Democratic Union] Secretariat, told O JORNAL that "provokers are moving around Otelo, promoting slander, spreading discord and division among the revolutionary forces." In statements recorded by Luis Pinheiro de Almeida, Jose Alcobia analyzes, from the point of view of UDP, the failure of FUP [People's United Front] and the legislative and presidential elections.

[Question] In the opinion of UDP, why did the FUP fail?

[Answer] The FUP was a project in which various conceptions and guidelines on People's Unity converged. A framework of debate and discussion was established that, if it were oriented democratically and responsibly, would lead to the unity that all the adherents said from the start that they wanted.

Among the various conflicting positions it was necessary to maintain firm vigilance on two of them that jeopardized People's Unity, each in its own way. One, radical and adventurist, which views People's Unity as being built by the force of the prestige of one man without attempting to focus its activity on the people's movement and on political mass action. It puts forward objectives completely out of tune with the present situation and, therefore, it is incapable of contributing to the progress of the workers' struggle. On the other hand, there is a faction that shows some heterogeneity, but whose positions have in common an abandonment of principles essential to the struggle and a search in agreements with reformist forces for the solution -- which they present as the only one -- to the present situation. These positions are generally advocated by comrades and organizations with a revolutionary past, but who today are disoriented and lack a belief in the possibilities for an autonomous affirmation of the people's camp in opposition to the reformist strategies of the PS [Socialist Party] and of the PCP.

On our part, we maintain that People's Unity can be built up only if we definitely specify the reactionary right now in office as the main enemy and, at the same time, if we are able to affirm a revolutionary alternative to the capitulation by the PS and the PCP to the right, by using as basic means of action the struggle of the masses of the people engaged in defending the April conquests and the economic, social and political rights of the workers. The breakup of the FUP occurred, thus, when we were getting ready to debate these problems that did not come to be analyzed. The adventurist and radical positions of which I spoke sought, with the support of Major Otelo, to take over the government by assault and to guarantee a position favorable to the leadership level, in order to influence the debate in their favor. This was a complete violation of the agreement signed on 28 March and could not be allowed by the other parties to it.

[Question] What about the rumor that part of the FUP is preparing to support Gen Ramalho Eanes indirectly?

[Answer] We are not aware, at least from an organized point of view, of any concrete debate on this matter. We know that there were comrades who advocated this kind of solution, that is to say, support of Maria de Lurdes Pintasilga as a suprapartisan prime minister and, later, a negotiation for the presidential candidacy of Major Otelo in contrast with a candidacy that would offer more guarantees with regard to the right. Our point of view, as a result of the above-mentioned stands, is in opposition to any support of Gen Ramalho Eanes.

Otelo Has Provokers Around Him

[Question] Major Otelo accuses the UDP of having attempted to dominate the FUP. What do you think of this accusation?

[Answer] The words dominate and domination have lent themselves to all kinds of misinterpretations. When dominance and domination by the UDP in the FUP are mentioned, what is meant is that there has been some attempt to impose our ideas or stands undemocratically or by less clear processes. It is evident that Major Otelo is not capable of indicating anything concrete whatsoever in justification of that accusation. Moreover, if we had had any attitude in that connection, what justification is there for the existence of solidarity in the solution and what very different forces would have acted jointly with us, like the overwhelming majority of the organizations and the majority of the independents on the executive committee with whom we have serious divergencies and differences of opinion? Major Otelo accuses us of domination, but he is not capable of offering concrete examples. He takes refuge in the psychology that he used in the colonial war and, unreasonably, speaks of tactics of fascism. We do not know what Major Otelo is aiming at when he talks about that, but if he wants to follow that method to prove the culpability of UDP, which did not exist, he should think that another process of the fascists was to surround the most prominent political figures in the opposition with beggars and provokers. Take the case of Humberto Delgado, for example, which had the dramatic consequences with which we

are familiar. And Otelo should know that, although fascism has fallen, provokers from various quarters are still promoting slander, spreading about discord and division between the revolutionary forces to prevent establishment of People's Unity.

[Question] Who are the provokers, in your opinion?

[Answer] At this time we do not wish to make concrete references. Although we have some data, we want to present them only at the opportune moment. For now, what we want is to put out a friendly warning to Major Otelo, on the part of some one who respects and admires him very much, but who also fears that his voluntarism and his revolutionary generosity will be used against People's Unity. As the process moves ahead, it is evident that we shall be able to reveal data that we have on persons moving around Otelo seeking to gain prestige and perhaps not only that.

[Question] Do not those opinions of yours make support of Major Otelo as a presidential candidate infeasible?

[Answer] Because the FUP has broken up, at least at its leadership level, it is obvious that an agreement with Major Otelo and his candidacy have to be equated in new ways that have to do with participation in the legislative elections by the FUP now headed solely and exclusively by Otelo and reduced to the sectors of OUT [expansion unknown] and PRP [Revolutionary Party of the Proletariat]. On our part, we want to have Otelo as president, but we raise certain conditions.

[Question] But is UDP going to support a candidate around whom provokers are gravitating, as you say?

[Answer] We think that every man can, at any time, make a reflexive study of the courses that he is following and the courses around him. We are not attempting to restrict Otelo's possibilities of making that examination of conscience, of seeing the courses toward which his advisers are drawing him. We think that, if Otelo should make that study, that analysis of what his behavior has been, Otelo will come closer to the revolutionary forces. Major Otelo is not, however, the only possibility for UDP's participation in the presidential election. We have had contacts with prominent democratic and antifascist persons, but we do not intend to reveal their names.

Front with MES Underway

[Question] What about the legislative elections?

[Answer] The UDP gives very great importance to the forthcoming elections, both legislative and presidential, in which the country's near future will be at stake. Tomorrow, Saturday, the National Council will start a meeting that will make whatever decisions are incumbent on it to deal with these problems. Nevertheless, we can state right now something on what we are

going to do. After the breakup of FUP, which we were unable to prevent, we set, as a first objective, the conclusion of a unified election platform with all the forces and sectors that had signed the 28 March agreement and others that are close to it, as a measure for preventing dispersion in the People's Unity camp. It would be very serious for the failure of the FUP to result in the presentation of several candidacies from this political area. The platform or election coalition has to have, as its main objectives, defeat of AD, affirmation of a political program of frontal struggle against the right and of a break with the November policy by presenting solutions to the nation's problems clearly marked off from the reformist programs of the PS and of the PCP or the coalitions headed by them. In short, we are working at establishing an election platform that will contribute to the defeat of the right and that will affirm People's Unity as a national force and as an alternative to the Portuguese people.

[Question] Is a front with the MES (Movement of the Socialist Left), of which there is talk, feasible?

[Answer] It is not only feasible but also possible and a process of negotiation is underway. And with Major Otelo also. We do not want to believe that Otelo is going to the front all alone, with bared chest, to see who the followers of Otelo are. That would be a handful in People's Unity. If Otelo persists on that course, we fear that Otelo will see confirmation of the fact that there are very large mountains that give birth to very weak and very small mice.

Relations With PCP Are Impossible

[Question] In its last Central Committee meeting, the PCP opened up to UDP for the first time. What are your relations with the PCP?

[Answer] The UDP is differentiated from the PCP in every field. We are a revolutionary organization struggling for a radical change in the course taken by the country's political activity since 25 November and whose consequences to the workers are visible to everyone. The PCP is acting for stabilization, because it wants no breaks and it is constantly being confronted with situations of the lesser evil and thus plays objectively into the hands of the right. It shouts that the right is attacking and advancing, but it refuses to oppose it by effective means. It is acting in the labor union movement and in the people's movement in such a way that the struggles will not jeopardize the stability of the November regime. This is why there is no understanding between UDP and PCP. Today, the PCP leadership is faced with strong pressure by its militant and supporting rank-and-file that is demanding concrete measures in the struggle against the right, that resists support of Eanes and that wants great determination and vigor in the struggle. Concretely, it demands that everything be done to overthrow the Sa Carneiro administration before October and to guarantee defeat of the AD in the forthcoming elections. This is the significance of latest decisions by the CGTP [General Federation

of Portuguese Workers], of the call for demonstrations on the 21st and of a certain degree of hardness in the statements by some leaders. If these decisions go beyond tactical maneuvering to gather the people's discontent as a political asset, as the summer goes on and they proceed toward isolating and actually overthrowing the government, on the basis of large-scale mass actions, then the PCP is making a tactical change of course in the direction of our proposals for the present state of affairs, to which we shall, naturally, not be indifferent. At any rate, the PCP's responsibilities in the situation that has come about in Portugal are enormous. A revolutionary force like the UDP and a reformist force like the PCP are very far apart and, therefore, I view any rapprochement, even circumstantial, that will find expression in an adherence by UDP to APU [United People Alliance] as impossible.

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CSO: 3101

'O JORNAL' REPORTS ON CGTP, UGT AIMS

Lisbon O JORNAL in Portuguese 9-15 May 80 p 16

[Article by Jose Pedro Castanheira: "CGTP Attacks Government; UGT Criticizes Management"]

[Excerpts] Caught in the crossfire of the union organizations, the Mota Pinto government began its countdown on 1 May 1979. A year later, the same union organizations disagree on the definition of the principal enemy; whereas the CGTP [General Confederation of Portuguese Workers] frontally attacks the government and demands its dismissal, the UGT [General Union of Workers] pursues its harsh criticism of management, which it calls "reactionary."

CGTP: "Throw Sa Carneiro Out"

In line with its recent stand, the CGTP, through its coordinating secretary, called for the resignation of the Sa Carneiro government and its replacement with "a democratic government." The frontal attack on the government was, incidentally, the key note of the May Day commemorations organized by the confederation, which, according to official counts, took place in 70 locations. Thus the slogan calling for the resignation of the government--"The struggle continues; throw Sa Carneiro out"--was by far the one heard most from the crowd that marched from Largo Martim Moniz and rallied near the Fonte Luminosa, a crowd estimated by observers as larger than the one last year.

Armando Teixeira da Silva gave special attention to three sectors: public communications, foreign policy (a chance to refer indirectly to the retention of Lurdes Pintasilgo in Lisbon and to stress, without mentioning her by name, her "moral and intellectual stature") and agrarian reform. In this last area, many noted the total silence regarding the GNR [Republican National Guard] actions in the Alentejo--all the more significant since the GNR had been the target of monumental jeering at the Terreiro do Paco rally, where the crowd spontaneously shouted "assassins" and "thieves."

Also omitted was the demand for revocation of the "Barreto Law." On the contrary, one of the speakers held that the "restoration of latifundism and the power of the large landowners" was being carried out "[contrary to law] [in boldface] and the constitution" (boldface ours). Are we witnessing a "funeral elegy" for agrarian reform, as one commentator has written?

Various legislative initiatives of the coalition government, such as the definition of public and private sectors and the census and election laws, were also criticized, as were the social measures recently announced by the prime minister over television. The increased retirement pensions and the tax reductions were thus meticulously dissected.

UGT: Reactionary Management

If Teixeira da Silva's speech was quite similar to the one given last May Day, the same was not true of Torres Couto's speech. A year ago, the UGT secretary general demanded the removal of the government of Professor Mota Pinto, but did not criticize management. This time, he violently attacked management, without offering any criticism, on any point, of the Sa Carneiro administration. In this respect the speech was one of compromise.

In his attack on management, the aggressive tone of which surprised observers, Torres Couto made no distinction whatever between the public and private sectors, thus revealing an intent to criticize the government indirectly, since it is in the nationalized companies that the most important labor disputes have occurred.

There was total silence regarding the activity of the government. Nothing was said about labor policy, foreign policy or public communications (here the only reference was to private news media). In contrast, even though he demanded an "overall and concerted effort to solve" the problems of the workers, Couto implicitly recognized the positive nature of "some key measures." (Here he was certainly referring to the social measures.)

Three Common Themes

Common to the speeches of the highest leaders of the CGTP and the UGT were the references to the current epidemic of strikes, criticism of each other, and a reaffirmation of the international nature of the struggle of the Portuguese workers.

Although they never mentioned unity of action or even referred to the participation of other organizations in the same struggle, the CGTP and the UGT demonstrated their support for various strikes and both of them emphasized the Petrogal strike. Neither organization, however, dwelt on an analysis of the reasons for their participation in any of the strikes they enumerated--which could mean they are not interested in encouraging common action.

Reversing the direction observed last year, the CGTP is now confining itself to mild and indirect criticism of the UGT. Without mentioning the UGT specifically, Teixeira da Silva did not spare criticism to those "who continue to foment divisionism," which could be taken as a reference to the proposal to create more parallel unions, namely in the textile sector. The significance of this tactical swerve remains to be seen. Is it the "price" to be paid for the Petrolal strike, now transformed into a vanguard struggle? Is it a result of the National Highway, Civil Service and RDP [Portuguese Broadcasting Co] cases? Or was it simply a concession of the moment, following the appeal by another leader for "unity among all democrats and patriots?"

Also deviating from last year's speech, Torres Couto opted for a lively criticism of the CGTP, twice referring to it as a "communist federation." This certainly could have been the means the UGT secretary general chose to offset both the support for the strikes and his criticism of the rightist trend in the UGT itself. The concern for balance was already demonstrated in his treatment, on one hand, of "reactionary management" (as he called it) and, on the other hand, of the Sa Carneiro government. In any event, it would not seem to us that it would be in the interest of the UGT to directly antagonize the hundreds of thousands of workers...[line of type omitted from text]...once it became apparent that the latter by far exceed the mobilizing capacity of the party that most directly influences [?them]. (Incidentally, that party was "present" in the person of one of the speakers, Deputy Jeronimo de Sousa, member of the Central Committee of the PCP [Portuguese Communist Party].)

Natural differences surfaced in the two organizations' analysis of the international situation. Significantly, the CGTP confined itself to a general condemnation of imperialism, racism and Zionism, expressing its solidarity with the peoples of Africa, Latin America and Asia. In a press conference on the eve of May Day, the CGTP secretary was a little more specific, although he only mentioned the cases of Brazil, Uruguay, El Salvador, Chile and (for the first time, as far as we know) Argentina.

Considerably more outspoken in this area, the UGT took for its own the major concerns of Amnesty International, without, however, referring to it by name. (Why?) Thus it protested the existing situation in Chile, Argentina, Guatemala, South Africa, Czechoslovakia, the Soviet Union, El Salvador (with special reference to the assassination of Archbishop Oscar Romero), Brazil (a salute to Luis Inacio, "Lula," leader of the Sao Paulo metalworkers), Afghanistan and Iran.

Innovations: Soares Carneiro...

The majority novelty in Armando Teixeira da Silva's speech was his reference to General Soares Carneiro as the Democratic Alliance candidate for president of the republic. Although he was not mentioned by name--which did not prevent some boos from the audience--the officer was called "a stranger to 25 April," and issue was clearly taken with recent statements by the presidential candidate, which in the view of the CGTP "could be taken to mean restrictions on the right to strike."

The UGT Presentation was richer in innovations, which is understandable if we consider the cautious silence it has maintained in recent months.

Not only did a director of the CGIL [Italian General Confederation of Labor], Italy's major union organization, and communist oriented, take part in the Alvito rally, but the secretary general, contrary to his silence last year, defended the constitution.

...And Clear Majorities

The real surprise, however, was Torres Couto's reference to the UGT's internal situation. Although he vehemently stressed that "there are no rifts within the UGT," and that the organization has the "necessary and sufficient soundness and internal cohesion," the secretary general harshly criticized "those who support the UGT because they feel we are an antistrike organization, without the power to enforce our demands, and that our only function is to oppose the communist central." This is an indirect but quite clear criticism of the FTDC (Federation of Christian Democratic Workers), whose members, as is known, are among the directors of the UGT, and also criticism of the members of the more conservative fringes of the PSD [Social Democratic Party]. More than simply talk, the criticism took the tone of a challenge to these segments to leave the organization.

Torres Couto also spoke about the future of the UGT. He revealed himself as an advocate of "consensus," not ruling out "as impossible" an organization based on "positions in keeping with the [will of clear majorities]" [in bold-face] (boldface ours). We think this is the first time Torres Couto has publicly defended this theory, a fact that is surely related to the preparations for the UGT Congress, scheduled for November.

Future Vague

As could have been expected, the CGTP did not use May Day to present a specific battle order. The fight against the government and for the satisfaction of the list of demands will be conducted, somewhat vaguely, through "struggles by sector and by company" and the "intensification of the class struggle, and the use, finally, of "all the forms of struggle accorded us by the constitution." Nothing specific was mentioned, however, which could mean that, what with the approaching holidays and elections, there will be no general strike.

In the event that it is not powerful enough to achieve its goals, the CGTP is counting on the "April captains" (to quote Teixeira da Silva) and on the next elections. Incidentally, there are strong indications that the legislative elections will soon become a major concern of the CGTP.

If the CGTP is looking to the future, even vaguely and at short range, what can be said of the UGT? Without an updated list of demands, paralyzed with respect to political power, the only thing left to it was to give warning, which is what it did. It threatened "stubborn opposition" if the government did not "fully and immediately recognize our demands." This "opposition," according to Torres Couto's speech, "will assume all the forms of struggle required."

UGT TO OPPOSE GOVERNMENT POLICIES IN LABOR

Lisbon EXPRESSO in Portuguese 24 May 80 p 9

[Interview with Vitor Hugo Sequeira, member of the UGT Secretariat, by Pedro d'Anunciacao and Miguel Almeida Fernandes, of EXPRESSO]

[Text] Vitor Hugo Sequeira, member of the Secretariat of the UGT [General Union of Workers] and one of the PS [Socialist Party] labor union leaders who has distinguished himself most since 25 April [1974], gives an idea here of the stand taken by his organization with regard to the present government.

He pointed out that UGT is opposed to the policy of the Sa Carneiro Cabinet. At the same time, Vitor Hugo stated that this opposition should not lead to especially radical forms of struggle.

Relations between the Socialist and Social Democrat labor union factions is another issue that this UGT leader analyzes here in detail.

[Question] One of the main parties in the UGT is tied to the government coalition. I should like to start by asking you what your stand is with regard to this government.

[Answer] It is the same stand that we took with regard to previous constitutional governments that governed the country already with the UGT established.

We shall in no way support this or that government. We shall always be opposition. It is true that this opposition can make itself felt more frontally, if the government policy should deviate considerably from the basic principles of the list of grievances and from the action program approved in our congress.

[Question] But what concrete form does that opposition take? The UGT has supported some specific grievance struggles, but it never has taken a definite stand of opposition in more general terms.

[Answer] In fact, our opposition has to be specific. We believe that systematic opposition, aiming, especially at changing the present institutionalized democratic situation, is a function of the political parties sitting in the Assembly of the Republic.

Our activity is entirely different from the activity of the political parties and it is concerned exclusively with satisfying the interests of the workers.

[Question] INTER(SINDICAL) has spoken of the need for bringing about the downfall of this government. Therefore, do you not have that objective?

UGT Does Not Aim at Overthrowing Governments

[Answer] No. The UGT does not aim at overthrowing governments.

[Question] But does it not aim under any conditions or in the present political situation?

[Answer] It would so aim under conditions that might lead us to realize very clearly that the whole institutionalized democratic situation was strongly jeopardized. The UGT would be ready to support joint action, in order to preserve the democratic course started on 25 April.

[Question] That is not happening...

[Answer] In our opinion, that is not happening. Different things are occurring, but in three perfectly different areas.

First, we believe that this government has violated the Constitution with regard to dialog with workers' organizations. These organizations have not been allowed to participate in preparing legislation on matters concerning them constitutionally. They have not even been consulted on the matter.

The second area is concerned, very concretely, with maintenance of the workers' buying power, a buying power that is obviously being deteriorated by this government. At the same time, an attempt is being made to impose wage ceilings administratively. This prevents the workers from regaining their buying power and from going along with the inflation rate.

Finally, in a third area, the labor union organizations have been ignored in the distribution of broadcast time.

Thus, one of the ways for the UGT to affirm itself, as opposition, which seems to be extremely disagreeable, would be to resort to international agencies, like the ILO. Once Portugal has ratified the conventions governing this matter, we could request the establishment of an investigation committee. This would certainly lead to the taking of sanctions against the Portuguese Government for a failure to respect constitutional rights and the precepts of these conventions.

[Question] But are you going to do that?

[Answer] A short time ago, in a nondemocratic country like the Soviet Union, an investigation committee was appointed. It concluded definitely that there had been a violation of human rights and of labor union freedoms.

We have avoided the occurrence of this situation, because it is tremendously disagreeable. It results in a loss of prestige for democracy and for the country and we do not want to draw a parallel between what is happening in Portugal and in the Soviet Union.

Nevertheless, if the government persists in ignoring the stands of the UGT, both with regard to the right to air time, and in the positions taken on the National Planning Council and in another body, which has not functioned, the National Revenue and Prices Council, if that should continue, we would consider the possibility of solving these problems in other ways.

[Question] What ways?

[Answer] Well, it might be, precisely, a complaint to the ILO that it is constantly observed that the constitutional precepts and the conventions ratified by the Assembly of the Republic itself are not being respected.

General Strike Would Not Be Justified

[Question] And are not movements provided for on a domestic level, like a general strike, for example?

[Answer] In principle, a general strike, aiming exclusively at these objectives, would not be justified, in our opinion. We even believe that the consequences of that kind of struggle would not be positive.

We believe that a general strike can even be a two-pointed stick.

[Question] But there may be other kinds of domestic movements, in addition to a general strike.

[Answer] Well, we think that a general strike would be an extreme measure, that would not give us guarantees of a positive result. It seems to us much more effective to appoint an ILO investigation committee.

As I was saying, a general strike is always dangerous. We have the example of the general strike by truckers in Chile and the work-stoppage in the Dominican Republic to clear the path for democratization which was being followed. They are perfectly different situation, with different motives and also with the opposite results.

Now, the results of a general strike, here, would be unpredictable. Our experience, moreover, has shown that ever since the First Constitutional

Government, each overthrown government has been usually followed by one more to the right. And governments more to the right have a policy less favorable to the workers' interests.

[Question] Does that mean that your opposition to the government will continue to be limited to specific cases, to struggles that come up sectorally?

[Answer] Precisely. Those struggles will break out only when the methods of dialog have been exhausted.

[Question] How are your relations with the government? Are they good or bad?

Government Does Not Dialog With Social Representatives

[Answer] We cannot say that there are relations between the UGT and the government. Moreover, this Sixth Constitutional Government has distinguished itself, especially in the area of the prime minister, by a lack of dialog with social representatives. It was the first constitutional government to adopt that stand, which amazes us considerably.

There have, of course, been specific contacts with the ministers responsible for the activity sectors in which problems have come up. Even there dialog has not been productive at times.

[Question] Has the fact that the social democrats are the principal government officials and, at the same time, form one of the most influential groups in UGT been reflected in the activity of the organization?

[Answer] No. I think that there has been much speculation on the principles on which establishment of the UGT was based and on the agreements signed between the Socialist Party and the Social Democrat Party.

The terms of the UGT are those normally inherent in any political agreement, regardless of the political level on which it is established. Beyond that, we have absolutely no problems, within the UGT. On the contrary, I think that this year and a half of activity has strengthened the two parties and has encouraged the organization's labor union leaders to continue, to the final outcome, consolidating the project for which they have been fighting from the very start. We have no profound ideological differences in terms of labor union conception.

[Question] But is the PSD [Social Democrat Party] not hindering UGT's grievance capability?

[Answer] No. The PSD strictly speaking is not hindering. I cannot absolutely confirm that kind of statement. What is probably happening is that some PSD labor union leaders, possibly, give rise, at times, to certain difficulties, because they find it difficult to assume an autonomy and independence with regard to the party.

[Question] Basically, they hinder.

[Answer] Let us say that they end up by making it difficult to obtain solutions discussed in meetings of the Secretariat.

[Question] Are there many difficulties in the relations between the two labor union trends?

[Answer] No. There are not many difficulties. The fact is that the PSD members who hold executive posts in the UGT at present, fortunately have shown an adult behavior. I am certain that persons are involved who will follow through to the end the project of the UGT and consolidation of the democratic labor union movement.

[Question] Nevertheless, we have seen cases, as happened in Portugal, in which the UGT puts forth a strike proposal and, unexpectedly, ends up by backing down. Is that not owing to pressure by the social democrats who are involved with the government?

[Answer] No. Concretely in the case of PETROGAL, the UGT labor union organizations were the ones that led the whole grievance process. Once the workers' grievances had been satisfied, the UGT labor union organizations had no more objectives for supporting a struggle.

[Question] Not even the discharge of some workers?

[Answer] We obtained a guarantee in advance that there would be no sanctions against the workers.

I should like to point out that the PETROGAL strike was successful for us. We represented close to 53 percent of the workers and 98 percent of them voted in favor of the strike by direct, secret ballot. Of the 98 percent, 95 percent actually observed the work stoppage. Now it happens that a substantial part of the PETROGAL workers certainly voted for AD [Democratic Alliance]. If they joined in this struggle, consciously, it was because they realized the correctness of the struggle.

[Question] Those percentages occurred in PETROGAL. Nevertheless, with regard to Civil Service, in the last strike in that sector, there was an idea that the UGT potential rank-and file did not follow its guidelines.

[Answer] Fundamentally, the difference between the two examples seems to me to be due to the labor unionism phenomenon. In fact, the number of unionized workers in PETROGAL is frankly larger than the number of unionized workers in Civil Service. Perhaps, therefore, the civil servants felt less obliged to accept the forms of struggle decreed by the labor union organization.

Maintenance of the Strike Law, Change in Law on Discharges

[Question] Do you have a stand with regard to a revision of labor legislation, under preparation by the government?

[Answer] The UGT has and certainly will have a stand on that.

[Question] But what is that stand?

[Answer] We are fighting for maintenance of the currently effective Strike Law, because we think that this law basically satisfies the interests involved.

With regard to discharges, we are actually inclined to review some features of the existing legislation. But we shall try to restrict as much as possible the ability of employers to discharge workers.

No to Hegemony Disputes

[Question] How are relations between socialists and social democrats proceeding within the UGT? I suppose that the conclusions of the PS National Committee in Oporto indicated a movement by the socialists toward contesting with the PSD labor unionists for control of the union, in their next congress.

[Answer] The conclusions published in the mass media organs do not indicate anything like that. No out-and-out dominance of the UGT by the PS has been decided on in that respect, in connection with the next congress.

[Question] Then, what were the conclusions of that National Committee with regard to the UGT?

[Answer] The labor union policy already approved in the PS Congress was ratified there.

[Question] Therefore, can we understand that the PS is desisting from control of the UGT?

[Answer] No. I am not saying that the PS is desisting from controlling the UGT. Both the socialists and the social democrats can control it, within the regulations of the organization, if one of them should prove to be definitely in the majority.

[Question] What are the plans of your party with regard to the next congress?

[Answer] We have no plans. We know what forces we have and we are ready for any position that the Social Democrat Party may take.

We are not interested, at present, in giving rise to a situation that will lead to a split between socialists and social democrats.

[Question] Is there talk of postponing the congress, in order to avoid that split?

[Answer] We believe that, in spite of its being established already, the UGT has not yet become consolidated. Therefore, the fact that the date set for the congress coincides with the date of the presidential election might be detrimental to the necessary atmosphere of calmness.

UGT Will Take No Stand On a Presidential Candidate

[Question] The UGT has difficulties in establishing a definite stand or in providing a voting guideline in the legislative elections, because it includes members of at least three different parties. What about the presidential election?

[Answer] I do not see that a different position is taken from the one taken in the legislative elections.

[Question] Do you view the candidacy of General Soares Carneiro favorably?

[Answer] The UGT does not have to declare itself with regard any candidate. Its members have taken stands individually.

[Question] And what is your stand?

[Answer] Well, because I am a worker and a labor union leader with no identification with the ideological area of the AD, it is obvious that I am not in favor of candidate Soares Carneiro.

[Question] What position may be taken by the UGT Secretariat with regard to this issue?

[Answer] What the UGT Secretariat may do, without personalizing the issue, is draw a profile of a candidate. Then I should say that the ideal candidate would be the one who gave the best guarantees of preserving the conquests and rights of the Portuguese workers stated in the Constitution.

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CSO: 3101

BRIEFS

SED DELEGATION--At the invitation of the Central Committee of the Portuguese Communist Party, a delegation from the Socialist Unity Party of Germany (GDR), consisting of Fritz Brock, member of the Central Revision Committee and head of the Department for Labor Union Affairs and Social Policy of the CC [Central Committee], and also Gerd Bernstein and Karl Heinz Ehlers, visited Portugal from 18 to 24 May. During its stay in Portugal, the SED [Socialist Unity Party of Germany] delegation visited the northern and central parts of the country, especially Oporto, Braga, Coimbra and Figueira da Foz, where it made direct contact with aspects of the Portuguese situation and the activity of the PCP. The SED delegation was received in the headquarters of the PCP by Sergio Vilarigues and Carlos Costa, members of the Secretariat and of the Political Committee. Augusto Sousa and Antonio Mota, members of the Central Committee, and Domingos Lopes, member of the International Section of the PCP, were also present. This visit is included in the framework of the fraternal relations of friendship, solidarity and cooperation existing between the two parties and it has contributed to a better understanding of the Portuguese political situation and of the activity of the PCP. [Text] [Lisbon AVANTE in Portuguese 29 May 80 p 2] 10042

OIL PRICE IMPACT--Each Portuguese citizen will pay on the average close to 12,000 escudos for oil that the country will consume during 1980, according to figures revealed by a study made by Pedro Nunes, a technician in the Portuguese Petrochemical Company. According to that investigator, "with consumption increasing necessarily at a rate of close to 8 to 10 percent a year, Portugal will have no money for oil within a few years, unless a different energy policy is adopted." Among other points, it is revealed, in that study, that fuel to be used by the Carregado electric powerplant during this year will cost Portugal close to 16 million contos. [Text] [Lisbon EXPRESSO in Portuguese 24 May 80 p 13] 10042

CSO: 3101

DEFENSE MINISTER WARNS AGAINST CUTTING BUDGET

Stockholm DAGENS NYHETER in Swedish 14 May 80 p 9

[Text] Defense today costs 13.7 billion kr annually. The Social Democrats who want to reduce it by a little more than 400 million kr regard it as too expensive. The conservatives comment: inadequate appropriations, great increases in defense costs must come within a couple of years.

When the parliament on Tuesday decided upon the defense appropriation, the debate largely involved whether or not Sweden needs new military airplanes.

The minister of defense, Eric Kronmark, warned about significant changes in the peace situation and increased appropriation requirements to increase the defense forces in an uncertain world.

"Leading statesmen are drawing parallels between the world situation now and the situations before the outbreak of world wars in 1914 and 1939. A very significant task for Swedish policy is to contribute to creating a new dialogue between the great power blocks," he said.

Kronmark would learn three different lessons from recent international developments:

--It is very difficult to size up the short-range intentions of the great powers.

--The super powers can more and more quickly marshal large military forces. New questions, such as the Islamic revival and the invasion of Afghanistan, are coming quickly to the fore.

--In the third place, Sweden must have a defense which, based on conscription, can increase its preparedness and develop its full force.

He bemoaned the fact that the 1977 defense decision regarding appropriations for defense were not sufficient to implement the plans. Plans were not realized. First and foremost, it hit the call-up of reserve troops for retraining and the acquisition of materiel.

Kronmark said, "The situation is very serious seen against the background of the requirement for quick reaction."

He found a Swedish air fighter force which can be concentrated in different parts of the country has great significance in the judgment of military blocks as to Sweden's ability to maintain its neutrality in a conflict. Studies of the airplane [platform] JAS include expenditures of 200 million kr, and Swedish industry must come forward with firm bids.

A Challenge

"It is an extraordinarily big challenge to the Swedish aviation industry; its existence depends on its ability to produce a competitive alternative. But it is basically inaccurate to construe a conflict between conscription and military planes. The conflict involves, rather, long-range responsibility and political shortsightedness.

"The minister of defense is constantly finding new and controversial solutions to the military airplane question. The JAS project is more interesting than the B3LA, and the most enthusiastic people think that we can get a plane which can fulfill all requirements. But such a plane does not exist in any country, not even on the drawing board," Eric Holmquist (Social Democrat) maintained.

Gunnar Bjork, a member of the Center Party from Gavle, was not wholeheartedly enthusiastic about the JAS project, but gave many reasons why the Center Party went along with the study. There must be a real basis for a decision. We must guard the Swedish aviation industry. A decision must be reached some time, and a broad solution should be sought.

Strong Reasons

Hans Lindblad (Liberal):

"If political unity can be reached in the year 1982 in regard to JAS, there are good reasons for that project. Otherwise, the American F16 is the best alternative, even if the plane is unnecessarily large and expensive and is not suitable for our bases. I understand the skepticism of the Social Democrats regarding the JAS and their preference for the F16.

Eric Holmquist (Social Democrat) observed that there was no bourgeois unity regarding the JAS and that the Social Democrats have not said that they want the F16.

6893

CSO: 3109

DEFENSE MINISTER CITES ROLE OF ECONOMY IN DEFENSE

Stockholm SVENSKA DAGBLADET in Swedish 29 Apr 80 p 3

[Article by Erik Krommark, minister of defense (Conservative)]

[Text] The government's supplementary appropriation directive to the defense committee has aroused different responses, and not infrequently quite passionate. For example, last Sunday, Lt Gen Stig Lofgren wrote an article with the dramatic heading: "Defense Policy in Decay."

A debate in depth on defense and its role in Sweden's national security policy is proper before the 1982 defense decision. But it is important that this debate is not conducted in unrealistic terms.

Lofgren wrote, "After many years of leaderless politics, the most important and most expensive component of defense, the military forces, is experiencing a far-reaching and unfortunately nothing less than a planned disarmament. The basic training of the conscripts has been shortened, the call-up training of reserves has, to a large degree, been shortened or completely stopped, and the replacement of materiel has been postponed. As a result, the striking power of the military organizations has, seen as a whole, been undermined, and in particular the number of qualified units has drastically reduced little by little, up to now largely in the navy and air force."

That is a description which in its main points is correct. The development is largely a result of decisions which were made before the bourgeois government took power in 1976. It is namely so that decisions in regard to defense take effect first after 5-10 years. It takes that long before a unit is trained and supplied with the equipment decided upon.

In connection with the 1977 defense decision involving increasing the defense appropriation limit by 400 million kr over inflation, I was called the "minister of armaments" by the Social Democrats. Even so the money was not sufficient to carry out the activity which the Social Democrats then considered valid. The fact is that the defense posture is now at a

level which the commanding general, before the 1977 defense decision, regarded as requiring intervention.

Big Sacrifices

The reasons for the decision not being implemented as planned are many. The reality is that the peacetime operation of defense continues to use a steadily larger share of resources of the defense set-up. The military organization, that is the defense we can mobilize to support our alliance-free policy, has been weakened. It has occurred in a manner which is not the result of long-range planning. Rather one has been forced to economize where one has been able to economize. These areas are primarily refresher training and the acquisition of equipment.

The retrenchment in refresher training is serious since it affects a basic feature of our compulsory military training: that trained conscripts shall go into military units which have effective equipment and can be utilized immediately after mobilization. Large sums and considerable sacrifices on the part of the conscripts are involved in a military unit. To fail to call up units for refresher training is a destruction of capital and adversely affects our immediate military preparedness.

The reductions in the acquisition of materiel will affect our ability to renew successively our military units, that is, our long-range preparedness. The difficulties in the long run of replacing and renewing our military units will consequently be very great.

If Sweden is to fulfill its role as a neutral buffer in Nordic security politics, both in the short-run and long-run, this development must be arrested.

Heed the Risks

It is a question not only of stopping an on-going development, but also of adapting defense to the security policies and military technical development in our neighborhood. This means, among other things, that we must, to a greater degree than earlier, take into consideration the risks of sudden, quick operations as well as the special demands which can be placed upon the defense establishment in situations involving neutrality. Without successive modernization the defense establishment cannot fulfill its stabilizing role in time of peace and its role of averting war in a big power conflict.

Despite more efficiency, including among other things extensive reductions in personnel, the costs of the peacetime operation of the defense establishment will continue to increase. The trend indicates that these costs will absorb the entire defense appropriation in the 1990's; our ability to replace and modernize the defense set-up will end.

Break the Tendency

It goes without saying that this is not any prognosis. An unreasonable development will die out by itself in one way or another. It is, however, extremely important to note in time dangerous trends and to arrest them. Against this background I maintained in the Riksdag a year ago that the development which involved organizational survival at the cost of renewal in the defense set-up is the most serious long-range threat to compulsory military service--very simply because military service without up-to-date equipment and training is meaningless both domestically and externally in terms of national security.

Developments in the last year have strengthened me in my conviction that the 1982 defense decision must be made in such a way that we get control over the developing situation.

Three Alternatives [as printed]

In regard to the defense decision we have three alternatives:

The let-it-go alternative: Inadequate increases of the economic limits in combination with inadequate rationalization. This will lead to a successive weakening and final collapse of our entire defense system based on compulsory military service.

The restoration alternative: This is based on the idea that we should arm to the strength which the defense establishment has vis-a-vis the world around us in the 1950's and 1960's. That would require real increases by several billions a year. Just to get back to the 1977 defense decision, that is, actually to carry out what the Riksdag then decided, would require in the framework of an unchanged organization an increase on the order of 1 billion more a year, over and above inflation. Such a limited recovery is by its nature a holding operation, and the basic problem remains.

The first alternative would be completely devastating for the effectiveness of the defense establishment, both in short and long term.

A Ruined Economy

The second alternative, perhaps even with a gold rim, is apparently what General Lofgren has in mind. Nothing would be easier for a conservative defense minister than to demand big increases for defense. That is well justified on the basis of the situation abroad and within the Swedish defense sector. But we are also at the same time confronted by a "security crisis" economy of Swedish society. A country with a ruined economy has no credibility or power vis-a-vis the neighboring world. This is an element of national security policy which has great significance. I cannot take the responsibility for a glazed description of the economic situation.

The situation requires restraint on a broad front in regard to public expenditures if we wish to avoid a crisis which would otherwise threaten to eliminate the basis for all economic planning, including defense planning.

In my opinion, therefore, there is only one realistic alternative in 1982: it is an alternative which involves a not insignificant raising of the limits (of expenditures) in combination with forcefully carried out structural changes, primarily in the peacetime organization. This is the only way which provides the possibility for maintaining in a harsh economic situation a defense set-up, effective and functional in the current and future national security milieu and able to back up our policy of neutrality.

Threatening Situations

The international development in the last half year has shown how quickly new and threatening situations can occur. It is new evidence that Sweden needs an immediately functional defense system, now and in the future.

I am convinced that we shall select the realistic alternative, so it will be logical even in the future to base defense upon compulsory military service, even if its concrete shape may perhaps be partly changed.

No Short Cuts

Obviously, I cannot now precisely delineate the exact requirements in regard to increasing the limits (on spending) and structural changes. That is the task of the Defense Committee, based on its own, unanimous report on national security policy. One self-evident thing, however, needs to be said. The lower the economic limits are, all the greater will be the need for often painful structural changes in both the peacetime organization as well as in the shaping of the training of the conscripts.

There are, namely, no short cuts to a function and balanced defense. It is all the more urgent to emphasize the latter since it has been maintained that the supplementary appropriation directive implies an inclination to develop a Swedish aircraft at the expense of compulsory military service.

That is a mistake.

Capitalize the Funds

An alliance-free Sweden continues to need a balanced defense, including military aircraft when the Viggen becomes obsolete in the 1990's. We do not yet know which form of acquisition, Swedish or foreign, is most suitable. If it becomes apparent that foreign planes are best, we face a big problem: the enormous cost which will occur when we must purchase aircraft

in the course of a few years. We will not be able to cope with such amounts within any realistic cost limits. The only way out therefore is for us to begin to fund during the 1980's the resources which we can then use when the bill for the airplanes comes.

Consequently, it is basically wrong to fabricate a compulsory military service-aircraft conflict. On the contrary, it would be best from the employment and balance of payments point-of-view, seen in terms of national security, if Swedish acquisition shows itself to be the most appropriate.

Total defense is of basic significance for our national security policy. Future credibility is not served either by blue-eyed hopes in regard to the international situation or by wishful thinking about a rain of gold. We can only realize a constructive solution by taking the consequences of a realistic decision and acting in a far-sighted manner.

6893

CSO: 3109

CUTS JEOPARDIZE CONSCRIPTION

Stockholm SVENSKA DAGBLADET in Swedish 27 Apr 80 p 21

[Article by Erik Liden]

[Text] "The sorry truth is that with the current economies in defense general conscription cannot be maintained after 1982."

That is what the naval chief, Vice-Admiral Per Rudberg stated Saturday when he addressed the general meeting of reserve officers at the naval base in Karlskrona.

"The sharpening of the world situation in which we now live is the most severe since the end of the Second World War. The lack of stability in the world which was noted by Defense Minister Eric Kronmark in his supplementary directive to the defense committee is justified and very unsettling. In Sweden by far too little attention has been paid to the fact that a relaxation of tensions has completely disappeared and been gradually replaced by discord among the great powers. Hence, the defense minister is making a dangerously narrow economic assessment when he emphasizes that southern and northern Sweden will be given priority in defense preparations.

"I want to describe that reduction as highly dangerous," Per Rudberg said.

"We now need an annual increase of a billion kr a year for defense in order to fulfill the tasks placed on us by the Riksdag. Therefore, the 5-year defense plan which the Riksdag is adopting is a curse. Sometimes, it takes 5 years to rectify economic problems.

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OFFICER DISPUTES KRONMARK, CITES CONSCRIPTION ROLE

Stockholm SVENSKA DAGBLADET in Swedish 9 May 80 p 3

[Article by Lt Gen Stig Lofgren]

[Text] Sweden is at the same time one of the largest countries in Europe area-wise and one of the most sparsely settled. If you tip the country over at Smygehuk, the Treriks cairn reaches down to southern Italy. Our country lies on the demarcation line between East and West and has its nearest neighbor on the other side of the Baltic Sea, one of the super-powers. If the armed forces are to fulfill the tasks set up by the state authority in the event of war and thereby work to preserve the peace, the defense personnel should be reasonably utilized to the utmost. In the words of Per Edvin Skold, at times cited approvingly in this paper, Sweden will never have too many soldiers.

This means compulsory military service for all men able to bear arms, implemented in such a way that the civilian defense officials are given only what they absolutely need. That conclusion is apparent without all-inclusive analyses and reports.

The responsibilities in time of war and the requirements they impose would be, one would think, the natural starting-point in determining the future development of defense. But, as I have pointed out previously in this forum, that is not the situation in contemporary Sweden. The starting point is rather the narrow cost framework which happens to be the result of years of capricious haggling. Politicians, divided otherwise on other matters, appear to be in harmony on one point; we cannot afford significant increases in defense appropriations.

Unrest and Rearmament

How far they have got away from the stark reality outside Sweden, marked by unrest and armament, can be seen in the answer of Cabinet Minister Kronmark to the issue. "To rearm to the strength which the defense establishment had vis-a-vis the result of the world in the 1950's and 1960's, would require a real increase by several billions a year." It would be,

it is said, well justified by the actual situation abroad and within the Swedish defense establishment, but it is completely unrealistic on the basis of the "national security crisis" in the Swedish economy.

Instead, the defense minister relies upon "forcefully implemented structural changes in the peacetime organization" in combination with "a not insignificant raising of the limits" (of expenditures) (how large is not indicated but a figure of a billion hardly is involved in the calculations of the government). As a result it would be possible "to maintain a functionally competent and effective defense in the present and future security situation."

A Conjuror's Trick

Even the nonexpert with a little reflection can see through this reasoning. No structural changes in the world will be able to offset the gap in resources of several billion kr a year, however forceful they are alleged to be. It is distressing that a responsible minister is playing such a game with numbers.

Mr Kronmark has not presented a plan for the effective defense he promises but continued disarmament. His, and for that matter that of the entire political establishment, manner of attacking the problem, points up, above all, how necessary it is that we get going before the 1982 Riksdag decision on defense, a serious debate on goal and means of defense.

The Simple Truth

The effort of the defense minister to economize in the peacetime administration in order to make available funds for a renewal of materiel is praiseworthy. The only trouble is that he, in his concern for materiel quality, is sacrificing the equally important personnel quality.

If armed forces are to be effective, the individual units must be able to hold their own in battle. Good weapons are needed for us, but also men with the will and ability to use them. Mr Kronmark is unconcerned over this simple truth, supported by all war experience, when he, in his new directive to the defense committee, recommends a further reduction in the training period for recruits. The text has been expounded by the committee's chairman, general-director Nordbeck, who, according to press reports, talks a lot of nonsense about a "reformed" training system for the army with two changes of conscripts per regiment per year.

For those who like this reform half the time which up to now has been considered necessary would be enough. One should be careful with strong words in a factual debate but such speculations must be regarded as irresponsible.

The Only Chance

Our fighting forces will meet in time of war an opponent superior in numbers and materiel. But we have the advantage in one area, in the human materiel. Well-trained Swedish soldiers and units can put into practice, mobile superior tactics which do not guarantee but give us a chance, the only chance, for success against brute force.

It is incomprehensible to me that people with insight and responsibility seriously discuss impaired training. Instead, the goal should be to go back to the system which the Riksdag adopted by an overwhelming majority in 1966.

Two Ways

Without considerably higher appropriations it will be necessary to reduce quantity of the fighting forces if the quality is to be kept at a sufficiently high level. In regard to this, Mr Kronmark and I are in agreement. It can take place in two ways: 1) by a category splitting, that is to say, a vertical cut through the conscript mass, which despite the defense minister's preface is a very poor method, or 2) by a horizontal cut which is to be preferred from all points of view except the purely economic.

The total number of conscripts available for military units is made up of the men between 20 and 47 who have received military training and are not needed by the civil defense. They are represented by the upward narrowing square in the picture.

We are contemplating an organization based on a category splitting whereby, let us say, a third of the able-bodied young men, about 15,000 men per year, are exempted from military service and reserved for civilian defense tasks. This should be compared with the horizontal alternative, whereby all able-bodied men are trained but only, let us say, the 12 youngest age groups, that is, the men between 20 and 32 years, are used by the military organization. We can in principle ignore that fact that in certain exposed parts of the country, Gotland for example, even the older men must be used for military tasks.

The Young Men

The horizontal division has in my opinion some distinctive advantages over the vertical.

1. The younger men will be used in preference to the older;
2. The basic training contingent will be bigger and consequently the state of preparedness stronger;
3. A 20-year-old youth has usually not made a definite selection in regard to occupation. Hence, it is difficult to make at the time of enrollment a valid choice of military service, civil defense, etc. It is much

easier to get the right man in the right slot in the horizontal than in the vertical alternative;

4. Finally, the horizontal alternative allows for a freedom of action which the vertical lacks. It provides the personnel basis for a quick reinforcement of the military defense if it is desired.

More Expensive Peacetime Operation

I am quite aware of the arguments which will be raised against this recommended solution. The capital which has been invested in the basic and call-up training of the troops is not used to the very utmost. In addition, the peacetime operation will be more expensive, since not so many regiments will be eliminated.

To this, it may be said that a category splitting brings not only savings. The conscripts who will go through the military mill most certainly demand and most likely get comparable pay. What will that cost? And what will be the cost of all the investment which will accompany such a thorough-going restructuring of the army?

Quite a Sum

Even if a total calculation would give the category splitting a cost-effective plus, it seems that a lower average age in the military units' personnel, a higher state of preparedness and greater freedom of action would be worth a tidy sum, not to mention the psychological importance of a conscription which is truly general.

Finally one can make a very simple and strong argument against Mr Kronmark's intense rationalization plans. His prayers notwithstanding, the demographic development will namely lead to a strong reduction of our defense. As a result of the declining birth rate in the 1960's and 1970's, the number of 19-year-olds will decrease by 12,000 between 1985 and 1995. Confronted by this unavoidable change, one should refrain from irreparable steps and instead plan towards a flexible swing towards the lower level of the 1990's.

A Debate About the Goal

And I want to set Mr Kronmark straight. I am not dreaming about rearmament of Swedish defense to the level of the 1960's. But I hope for a debate on the tasks and the resources and goals of our defense efforts. If Sweden is attacked, the current objective places upon the military forces the task of preventing for as long as possible the attacker's getting a foothold on Swedish soil and offering a determined resistance in every part of the country. It cannot be helped if the formula appears somewhat hollow in light of the pessimistic perspective which the defense minister is drawing up.

Perhaps, a realistic debate on the goals and means of the defense set-up would get our politicians to think things over. Perhaps they might even be able to raise their eyes above the current economic difficulties and feel some of that confident optimism regarding the future which another member of the government, Minister of Industry Asling, recently (2/5) called for in this paper.

6893

CSO: 3109

BANK CHIEF SEES LACK OF WILL TO CUT SPENDING

Stockholm SVENSKA DAGBLADET in Swedish 14 May 80 p 3

[Article by Lars Erik Thunholm, Chairman of the Board of Directors of Skandinaviska Enskilda Banken: "Sweden--A Fool's Paradise"]

[Text] Sweden exhales. Led by the prime minister, everyone talks about what a relief it is that the nightmare is over, that we can now go back to normal. That kind of thinking is psychologically easy to understand. But it is still disheartening. It would be more appropriate if there were concern and anxiety over what we have brought about with this wage settlement.

The tragic part of the entire event is that a great heart-rending conflict, which cost our society billions, was necessary to show that the Swedish people--through their elected representatives among the political and union leaders--are not ready to look the truth in the eye. Since we have now shoved the heart of the problem aside, we can go back in peace and quiet to our illusions and daydreams, continue dancing around the golden calf, continue to play in the fool's paradise--or whatever picture one chooses.

The truth? Yes, the truth is that in these wage negotiations we finally faced a single choice, namely how, in what way the inevitable reduction of the real income of the Swedish people will take place. Will it happen through increased inflation or will it happen in conjunction with struggles to hold back and reduce the tempo of inflation in our national economy?

There need be no discussion of whether a reduction of the real income of the Swedish people is necessary if we are going to emerge from this crisis. Practically all economists who have analyzed our situation are in agreement on this. And the numbers speak clearly.

Interest Payments Increase

As a nation, we have for years lived beyond our means, royally beyond our means. In both the private and public sectors we consume much more than

we produce. That is demonstrated by a significant deficit in our continuing international balance of payments. We will soon reach the point when we must begin to ask ourselves how long foreign countries will be available with loans to allow rich Sweden to maintain a standard of living which is not protected by our own resources. And the interest payments for that which we already owe increase constantly. The public sector is now confronted with a shortage in the balance of payments which has reached frightening proportions, with a budget deficit which will soon be astronomical.

Two Ways Out Of the Crisis

For several years we have been engaged in a debate which has illuminated and explained all this in a way that any child could understand. We also know that there are only two conceivable ways out of the crisis in which the Swedish national economy finds itself.

One is to create a major increase in production which can increase available resources for, most of all, expanded export. That is provided that we expand our production apparatus through increased investments. That is also provided that there is sufficient profitability in our businesses that they can have increased production, new investments, and increased employment.

The other way is that we reduce our consumption, meaning that we reduce public expenses and reduce our private living standard. The way to achieve this latter effect must be through strong restraint in wage increases.

But such restraint really contains no sacrifice. In a situation where there is no room for increased consumption, an increase in spendable income only leads to increased inflation. The decrease of the real standard, which is inevitable, means that price increases eat up the small wage increases.

Not Capable Of Choosing

The tragedy of the present wage settlement is that we are not capable of choosing the only sensible way, namely, by means of strict restraint in wage demands to accept a measurable reduction of real wages. If that had been done, if we had been able to accomplish a slowing of inflation, we could have strengthened the international competitive power of our industries, realized increased production and increased employment, reduced the need for foreign credit and limited the national budget deficit.

Almost Cynical

Instead we have fed the fires of inflation. Against this background it seems almost cynical when Gunnar Nilsson and other representatives of the employees speak of "protecting the members' purchasing power." Either they have lost all contact with reality or they are trying to hoodwink their

members. It would have been an expression of greater consideration for their members if they had instead tried to get them to understand that greater restraint and smaller wage demands would be better for their interests, and a surer way to protect their real living standards.

Get Run Over

Of course the Swedish Employers' Confederation has from the beginning presented the key question without evasion or embellishment, spent substantial amounts for an economic information program to explain the problems created by the wage negotiations, and held out for the only reasonable line. It must have been very painful to be run over in the end by the government, forced to accept a solution which they knew would increase the difficulty of finding a way out of the crisis in which the national economy finds itself.

To an outsider, who has no insight into the political game which may have taken place behind the scenes, it seems almost unbelievable that through government intervention we have reached a wage settlement of the kind we are talking about. It is, however, a wage settlement which will make it more difficult for the government to cope with the economic crisis.

At this point it would have been appropriate for the prime minister to say something more than that he was relieved that we could now go "back to normal."

9287

CSO: 3109

STRIKE WAS MOTIVATED BY POLITICS, NOT ECONOMICS

Stockholm DAGENS NYHETER in Swedish 16 May 80 p 4

[Article by Staffan Beckman: "The Wildcat Strike Is a Struggle Against the Reasonableness of Reasonable People"]

[Text] In Sunday's DAGENS NYHETER Sven Lindqvist wrote that it was the reasonable view of our living standard which has made it "difficult to get enthusiastic about a struggle for higher wages." But Staffan Beckman asks if it is not instead the special political character of the fight which has heightened enthusiasm. Today's working class has been disarmed from above: the "great struggle" of 1980 had its origins in a long-standing corporate situation.

"Why are the writers silent on the great struggle?" asks Sven Lindqvist. But I do not know why they should say anything. How many of today's writers deal with critical social questions, how many of them take a position, in their lives and work, for the struggle of the working class and the "little people" for a better future? So why should they speak out about the "great struggle"?

It is not primarily as a "writer" that I am here answering Sven Lindqvist. His views are held by other than writers, and that also applies to my views.

"All reasonable people agree that our living standard should be lowered," writes Lindqvist. That is perhaps the view held by writers, and one of the reasons why they have been silent. Perhaps they sit there in their "blue towers" and believe that "we" have too much.

It is not Sven Lindqvist's usual way to try to humiliate, but is it not an attempt at humiliation to call his own views "the views of all reasonable people"? What is Sven Lindqvist going to call reasonable on the part of the workers and their allies who are now certainly going to fight for wages which are adequate for price and salary increases? How can he, who has been so successful, speak in terms such as "we" and "our" living standards?

"Reasonable People"

Sometimes Lindqvist writes in his column about two kinds of "we." It is impossible to "permit Nicolín to reduce our living standards," he writes. There Nicolín is on one side and a new "we" is on the other. But also this new "we" seems to include the "reasonable people," those who believe that "our" living standards should be reduced. It is those people to whom Lindqvist turns when he writes, "Would it not be rather good, some fine day, to have a community where the employees calmly refrain from demanding more pay--because they decide themselves how much money will remain in the business?"

Lindqvist is obviously talking about some form of advanced employees' fund. He is not advocating increased living standards, he is advocating a system to keep wages down "some fine day." Certainly not on Nicolín's terms. But it is equally clear that it will be on capitalism's terms. In his new system the basic conditions--capitalism and its crises--are clearly the same as in Nicolín's system, where against the background of the capitalistic crises the "employees will refrain from demanding more pay."

Without Nicolín

In fact Lindqvist points out the central factor in the question of the employees' fund: nothing essential would be changed by the establishment of such funds--except that there would then be no Nicolín to cope with.

Sweden should continue to have a market economy, this economy should continue to be a part of the capitalist world market and depending on that and its crises, there should be formal worker-owned industry, in reality a form of state capitalism where exploitation of the labor force, where profit and competition should be entirely decisive--without Nicolín. Instead of such open confrontation between labor and capital we should have advanced corporatism.

It is solely for the capitalist system and its preservation that it "would be rather good" if "some fine day" we had an employees' fund or something similar. Not for the working class--for the workers it would be "rather bad" from a political standpoint to be exploited within the framework of a corporative society.

Lindqvist believes that it is a reasonable view that our living standard should decline as it is "difficult to be enthusiastic about a struggle for higher wages." Is that the real causal connection? Is it not the special political character of the conflict which has heightened the enthusiasm?

The Working Class

Anyone who has studied the history of the Swedish working class knows that we had a fighting, militant working class at least as early as the 1930's.

A working class which did not allow itself to be consumed by losing strikes and which rejected arguments like Lindqvist's about "the value of the money going down a rat hole."

Continued research shows clearly that what has happened since then is that the working class has been disarmed from above. The trade union movement has been changed to a hierarchical apparatus which has abolished union democracy, allied with employers over the heads of the workers and cast their lot with the development of capitalism. All independent labor struggle finally became as much a threat to the union apparatus as against the SAF [Swedish Employers' Confederation]. And it was in this long, drawn out corporative situation that the "great struggle" of the 1980's was begun. Lindqvist writes, "Nicolin hopes that the main result of the conflict will be that we all are helplessly dependent upon a technique and a social machinery which can never again be stopped by a great struggle. In this way we in the future will be more compliant, not only in our wage demands!"

LO [Swedish Trade Union Confederation] Leadership

Who says that the aims of the LO leadership are not the same as those of Nicolin? Is not LO an integrated part of the aforesaid "social machinery"? Is there something in the strikes which indicates that they were primarily aimed at employers? Does not the political and social development of the union movement indicate that its leadership now has largely the same interests as the SAF, to hold wages down, and to create an "experience" which will make the workers more compliant?

Does the LO any longer represent the working class in any real sense? Is not the conflict between LO and SAF basically only two different ideas of what the future of capitalism will look like, two ideas that differ because they have different power bases?

As LO and the official "wage struggle" have developed it is entirely natural that the so-called "great struggle" has not given cause for enthusiasm. It has nothing to do with being "reasonable."

Dig Further

The struggle for kronor (against Nicolin's system) is necessary, according to Lindqvist, "but it is still a sham. The real struggle is about a new society, in which the products of our labor are our common property."

But dig further then, Sven Lindqvist, beyond the false pictures painted by state capitalism and corporatism, to the outlines of a really new society which not only sweeps Nicolin aside but also the capitalistic system with its exploitation and crises.

The struggle for kronor is necessary--as a part of the self-defense of the working class. But only when the working class takes up the struggle

against the Nicolins, only when the strikers put unions and union interests aside will it be a real self-defense struggle, only then will it be a meaningful workers' struggle, only then will enthusiasm be worked up-- and only then will it be a struggle which in its progress will also open the way for "a new society." Both SAF and LO know this.

Many reasonable people consider so-called wildcat strikes unreasonable. But in an ever more distinct corporate society the wildcat strike is not only a part of an economic self-defense struggle, not only a struggle for kronor and ore, it is also a democratic struggle, a struggle against submission and wardship, a struggle against reasonable people's conception of what is reasonable.

9287

CSO: 3109

INDUSTRY, LABOR LEADERS ASSESS STRIKE MEANING, EFFECTS

Nicolin: Will Increase Unemployment

Stockholm DAGENS NYHETER in Swedish 13 May 80 p 8

[Article by BoA Ericsson and Bjorn Anders Olson]

[Text] "No one should believe that we consider ourselves beaten. We will come back again.

"A great misfortune has occurred, perhaps more for the country than for the companies."

That is what Curt Nicolin, chairman of the Swedish Employers' Confederation (SAF) said in an interview with DAGENS NYHETER on Monday hardly a day after the dramatic wage settlement at Blasieholmen and the Government House.

Nicolin also said:

"The public sector cannot determine wages again.

"If there is a debate about the employers retaining the lockout as a weapon, I can promise you that there will also be a debate about the right to strike.

"There is a rumor that there are hawks and doves in the Swedish Employers' Confederation. There has been complete unity the whole time.

"Some 10,000 jobs will be lost in industry in a few years on the basis of the wage settlement which we cannot afford.

"I have been the recipient of taunts from the Ombudsmen, not the grass-roots."

Curt Nicolin held a reception in the afternoon in the big company conference room of Asea on Hamngatan in Stockholm. Actually, he should have appeared worn out but he did not.

Did he sleep last night?

"Yes, a few hours."

Not the loser. In Sweden today Curt Nicolin is regarded as the loser. But he himself does not look at the situation that way. He holds that the settlement does not benefit anybody.

Sometimes he answers questions briefly, sometimes not directly.

He has on the table before himself four pill boxes, two of them green. Unceasingly he takes one or two pills.

How does he regard the dramatic development with a 24-hour perspective?

"When the government makes such an appeal, that is to say, that the Swedish Employers' Confederation should change its no to a yes, it is something very serious. If we had said no, a notable situation would have arisen. We do not have the means to subdue all at one time.

"Now the government has taken upon itself the responsibility for the situation."

Significant Unity

Were you in agreement when you first said no and then after the appeal of the government yes to the mediation proposal?

"We were in agreement to say no in some form to the offer. But there was a long and comprehensive discussion as to how we should formulate the answer.

"After the visit to the Government House we had just as basic but not so long a discussion. The decision was reached with significant mutual understanding."

What did the government promise if you would answer yes?

"There were no suggestions of either threats or promises. Nor had we the slightest indication of wishes nor demands for countermeasures."

How would you describe the results of the agreement for Sweden?

"What has happened is a misfortune for Sweden. We can not afford this collective bargaining agreement. In a few years, 10,000 jobs will be lost. Inflation will be 2-3 percent higher than with the earlier 'final offer' of the mediators. Nor will there be anything left for the Swedish Federation of Trade Unions in increased purchasing power.

"The effects can be countered by measures by the government but they now must be more comprehensive than formerly.

"There is not a single serious economist or politician who does not maintain that we need a larger industrial sector. If we had, in this agreement, created room for a growing industrial sector, it would have provided new jobs, confidence in the future and enthusiasm."

But if people like you only talk about misfortunes, is there not a risk that the misfortunes will actually occur?

"We shall stop talking about misfortunes as soon as we get a hearing for our viewpoint. The judgments in the 10 points which we brought up against the mediation appeal remain."

How do you regard the public role in this collective bargaining agreement?

"I cannot imagine how it will go when the public sector through guiding the wage development will create the conditions for international competitiveness.

"It is fantastic that a knowledgeable and intelligent people can let itself be pushed into such a decision as here. The Swedish Federations of Trade Unions did not wish it, for that matter. The LO found itself coerced through the public intervention."

Tipped the Boat

Do you mean that the public side tipped the boat?

"Yes, you can say that. It must not happen again that the public side will play the crucial role in determining wages. That matter is clear."

You have recently begun to talk more and more about the public economy. Why?

"It is difficult not to do so in a country where the public sector takes two-thirds of the Gross National Product. Whatever piece of the rope you grab, you end up on the public side."

The public sector took the lead in the wage question. You were finally forced to accept an expensive agreement. Has the Swedish Employers' Federation lost its strength?

No Hawks

"The SAF has not decreased in power. It has been a long time since unity and cohesion was so strong among the members. There is a rumor that there are hawks and doves in the SAF. There is complete unity."

So now in hindsight: Where was the mistake made?

"We did not reach our goal. Now we shall self-critically determine why we did not succeed. When we said yes to the first final offer, we went about as far as we could go. That was not a complete zero, but we did not depart from our objective."

Is the "Swedish model" now finished?

"We must examine the system of negotiation. It is wrong that it has become so centralized. The result we achieved benefits none of the parties."

Was not a lockout too formidable a weapon to resort to as an answer to the overtime impasse?

"No, we wanted a quick solution."

Freedom

But do you not still think that this will stimulate a discussion regarding the right of employers to a lockout?

"It is customary in free Sweden to restrict the freedom of employers. But if there is a debate on our right to the lockout, I promise you, gentlemen, that there also will be a debate on the right to strike. The public side called out the leaders of the airlines on strike and paralyzed all of Sweden. Then they said, 'we have only called out 125 people...' But in God's name..."

"We must reexamine the question of harm to society."

"It is not easy to select weapons in a lockout. Think, if we had lowered wages 10 percent instead...what would have been the public reaction to that."

Damaged Reputation

How harmful has the conflict been for Sweden's reputation abroad?

"If it is a one-time event, I do not think that it has damaged Sweden's reputation seriously. But if it is repeated next year, that is another matter."

You have previously said that the loss of a week's production costs Sweden 2 billion kr. Can you recoup that?

"In 1976 in the midst of the most difficult times the 5-week vacation was introduced, and it was considered great. Now a week's conflict is a catastrophe."

Great Satisfaction in Work

"People will surely want to work overtime. And for that matter, I will not be surprised if absenteeism due to illness temporarily decreases.

"Today the satisfaction with being at work is greater than on many other Mondays."

You have been blasted and been strongly criticized. How are you taking it?

"I have in recent times quite often walked around town. I have not been jeered by anyone. It was worse in 1976. I have been the recipient of taunts from the Ombudsmen, not from the grassroots. I think people are convinced that my goal was honorable, and I think that is decisive.

"There are a lot of things being written and said in the mass media which I consider dishonorable. What is trying is that so many lies are circulating."

How would you describe your relations with the Swedish Federation of Trade Unions after this conflict?

"The personal relations at the top level are intact."

If there had been a Social Democratic government, could the conflict have been avoided?

"No. We act in the same way, irrespective of the coloration of the government."

LO Leader Attacks Government

Stockholm DAGENS NYHETER in Swedish 14 May 80 p 8

[Article by Kerstin Sedvallson]

[Text] "Drama"

With that word, Harry Fjallstrom, the secretary of the Swedish Federation of Trade Unions (LO), brushed aside the predictions of Curt Nicolin, the chairman of the Swedish Employers' Confederation (SAR), in DAGENS NYHETER on Tuesday that the new agreement between the LO and the SAF is great misfortune for the country with the loss of 10,000 jobs being a direct result.

Hounding the wage-earners continues. Both Gosta Bohman and Curt Nicolin have the same view that the wage-earners are the cause of the trouble. It goes like a bourgeois wind across the country.

Harry Fjallstrom rejects the apprehensions of the employers:

"The employers are running around with figures about costs which are in conflict. They talk about a supposed wage glide. The LO has gotten a total 6.8 percent, of which 2.5 percent is the wage glide.

"Curt Nicolin is using the same technique as Gosta Bohman: 'Everything is going to hell in Sweden and that comes from the wage increases.'"

Harry Fjallstrom positively denies that the recently resolved conflict had political objectives.

"As far as we were concerned, it was a completely nonpolitical conflict. On the other hand, one might ask how it was on the other side. The connection between the SAF and the Conservatives is strong. Bohman's and Nicolin's views on the deficit are the same."

Another debate between SAF and Bohman-Falldin, which Harry Fjallstrom regards as being the same, is that increased wages are the root of all the troubles.

"Bourgeois Wind"

It is this hounding the wage-earners which I regard as a bourgeois wind through the country."

Now the LO has succeeded in raising the wages of its members 6.8 percent. Has the LO with this attained its goal of protecting the members' real wages? Harry Fjallstrom believes that it is just as difficult now as previously to give any proof. You have to assume so much in advance. There is talk about a 10 percent decrease after a lot of assumptions regarding interest.

What could have happened instead? Why did the LO come out with its 11.3 percent wage demand on 7 March? That occurred after Gunnar Nilsson made clear at the Federation of Painters' Convention in September that the trade union movement must pay more heed to what the members obtain in purchasing power than to higher percentage figures at the negotiating table.

The LO never received the help it requested from the government. Help came, as is known, 3 weeks after the LO's demand, in the form of the government's so-called price package. Then the government also pointed to the earlier tax revision which came into force on 1 January 1980. It is this revision which Harry Fjallstrom in particular criticizes strongly.

"There should have been a more just tax cut. It was to the advantage of the higher income groups. It is so structured that an individual who earns 50,000 kr can endure a price increase of only 2.5 percent, while a 90,000 kr person can cope with a price increase of 7 percent. It is not easy to be a negotiator then."

"The Goal"

What could have been different? What would the Social Democrats have done? Despite his calm, Harry Fjallstrom gets a little worked up and says that is a typical journalist question.

"That's the way it is--those who have the power do the investigating and have the resources. It's not possible to set up an economic policy on a side track. You do that when you have won an election. Then the goal is set. If it is wrong you can't jump in and fix it on the side."

Harry Fjallstrom used to be regarded as gruff and inaccessible. He is conscious of this and says suddenly:

"With all my gruffness I am still optimistic. I am not so sure things are as bad in Sweden as depicted by Nicolin. The sales of the export industries have not been so bad. But it is the lack of an economic policy which makes me hard and bitter."

The government has mismanaged the country. Its tax policies are criticized by everyone. The government has not done anything about the housing question or rents. They have transferred capital from the wage earners to the owners. They have not changed the deduction possibilities.

Harry Fjallstrom is critical of the argument that sufficiently high corporate profits will solve the problems. There won't be more from that for the national treasury. Then he states:

"We don't have any economic policy in this country."

Were then the conditions for the 1980 wage decision poorer than anytime before?

"I can't say that. In 1971 we were on the edge of a conflict. It was averted and we got a 3-year agreement. In 1977 it was close with strike notices published. The price negotiations last fall were difficult. To get a sensible discussion going we announced a prohibition of overtime."

Harry Fjallstrom points out that although there appeared on the surface to be agreement between the SAF and the LO for many years the differences were severe. And this year in particular it appears that the employers and in particular SAF's director Olof Ljunggren wants to place a large share of the blame on the negotiation system itself.

Harry Fjallstrom smiles slightly and says:

"Ultimately there must be an interest on the part of the SAF to limit the freedom of the labor unions. Every collective organization has the right to say that now I won't sell my labor at that price."

Harry Fjallstrom brushes aside the criticism of the SAF regarding the negotiating system:

"We have completely different objectives. It is foreign to what we want to achieve. I regard it as their unwillingness to negotiate. That took place all through the 1960's and 1970's when they did not want federation negotiations to parallel central negotiations. That is their tactic."

"The Blame"

What does the LO say when the question of responsibility will be discussed in the future?

Harry Fjallstrom points to a simple connection:

"You negotiate so far as you can, and if wages are not increased we take action. We were forced to use them and to trigger an overtime blockade, and then the SAF first indicated that it wished to negotiate with the mediation commission."

How will things do in the future in a time when there is less scope for sharing? Will there be greater antagonism between the different wage groups? Harry Fjallstrom is not so sure about it. He thinks rather that it will be a question of justice.

"There will be stronger demands for wage increases for a reasonable standard of living cutting right across the so-called organizations. You just have to look at the wage policy of the SIF (The Swedish Industrial Management Federation) which is demanding a more just division."

The LO's joint wage policy has apparently been accepted. Harry Fjallstrom nods in agreement and points to the government's settlement. Last fall there was speculation that the LO would give up its joint wage policy in order to coordinate matters with the Private White Collar Union (PTK). But coordination broke down, something which Harry Fjallstrom deplors. But will LO give up its joint wage policy? "Hell no," Harry Fjallstrom answers.

Will Hurt Competiveness

Stockholm DAGENS NYHETER in Swedish 14 May 80 p 2

[Editorial by Nils Eric Sandberg]

[Text] Ernst Wigforss once said that in a democracy nothing can prevent people from granting themselves wage increases which have no basis in production. He was quite right.

in the world market. Half of our production goes into exports. The prices are largely determined by the world market. Swedish firms cannot charge significantly higher than their competitors. If they try, they encounter resistance and lose a share of the market.

The agreement will increase industrial costs during 1980 by about 11.5 percent. Costs will increase 13.5 percent during the period November 1979-December 1980. ("The price compensation" which the wage earners got in December will largely be taken out of the 1980 wage bracket.)

The wage costs for our 14 export markets will increase, in a weighed average, a little more than 10 percent, thus almost as much as here.

The competitive strength of Swedish industry depends upon how the wage costs per unit of production changes relative to the competitors. And that wage cost is determined in part by the wage increase per work hour and in part by productivity.

In 1978 there was a large reserve capacity in Swedish firms since they had retained excess labor during decreased activity. Productivity increased 8.5 percent during 1978-1979. This partly explains the increase in profits in 1979. But now the reserve has been utilized. Half of industry has a shortage of labor. According to the Department of Economics productivity will increase only 2.7 percent this year.

The continued competitive strength of Swedish industry therefore is based on the premise that productivity in the competitive countries will increase even less. This is not likely in that we compete among others with West Germany and Japan, particularly in third countries.

During the cost crisis 1975-1977 the Swedish export industry lost about 15 percent of its share of the market. That has not been regained as yet. This 15 percent represents an export value of about 20 billion, which in turn corresponds roughly to the year's trade deficit. This deficit gives the Swedish economy a list. In order to help to correct it industry must be able to increase its share in the market. And this requires partly that wage costs increase slower in Sweden than in the competing countries, and partly that the international market for our export goods holds up.

The first condition has gone by the board.

According to Swedish and international evaluations the international market will turn downwards during 1980. That is an inevitable consequence of the oil price shock. In 1979-80 OPEC will absorb 2 percent of the total purchasing power of the OECD countries.

Most countries have large deficits. The OECD countries together had a trade deficit of \$30 billion in 1979; in 1980 it was double that. Consumer prices have risen in the past year just over 14 percent. Governments and central banks react with stern measures, particularly involving the quantity of money. Japan apparently is trying as in 1975 to pay its increased oil bill by a hard export offensive which is price competition for Swedish exports.

Condition number 2 for an increased share of the market for Swedish exports depends upon a quick upswing in the unfortunately still declining international business, Norway and Finland being the only two exceptions.

The balance of payments shows a deficit of 20 billion kr (or more?) this year, financed by just as large net loans abroad. The investment share of this GNP is about 19 percent against a normal 25 percent. The chief problem of our economy is that we finance, through foreign loans, an altogether too high a consumption which our industrial sector cannot support. The wage agreement provides purchasing power which will only increase the deficit, at the same time that it deprives industry of profits which should be invested.

The national economy cannot thus afford the increases which some of the firms can cope with (the profit picture in industry is quite variegated).

If the organizations--and the political opposition--had shown a little responsibility for society and the government had been responsible, the wage push could have been kept down for a year. If industry in this manner had shifted down to a lower cost level, the government could have revalued the krona and thereby checked the price movement from abroad. And we would have gotten out of the inflation spiral. But with the agreement, that chance has been lost.

The economically proper countermeasure for the government would be to lower the wage taxes in the business sector (not the municipalities), and at the same time increase the value added tax by something in the neighborhood of 3 percent. But that presupposes that the government would have a minimum of courage and the opposition a minimum degree of responsibility, not demonstrated up to now. If these two conditions are lacking, and even other restraints are not taken, what else remains but to study Denmark to see how it will go?

6893

CSO: 3109

RIKSDAG VOTES FUNDS TO STUDY JAS

Stockholm DAGENS NYHETER in Swedish 14 May 80 p 2

[Editorial by Svange Nycander]

[Text] It will cost 200 million kr from the defense appropriation to obtain by 1982 a basis for a decision in regard to military aircraft to follow Viggen. The aviation industry has undertaken to contribute at least as much. Is this cost reasonable in proportion to the goal?

The commanding general and the defense minister wanted the Riksdag in February to decide in principle to develop a new Swedish fighter, attack and reconnaissance aircraft (JAS). It was not a question of such a decision in principle in the Riksdag yesterday. Several contributions to the debate from the Center and the Liberal Party indicate that it is a moot question if the JAS will be realized.

In February defense minister Eric Kronmark was of the opinion that a concentration on JAS required broad political support. The Social Democrats have not said no, but they are against the 200 million. The former minister of defense, Eric Holmquist, emphasized in the debate that the party is not against the military aircraft as part of the future defense setup and that they are not either against Swedish production. But they want to postpone the question to 1982.

The project is consequently starting on uncertain premises. It presumes cooperation with foreign defense industries, something which can have political problems. Despite the scanty information available much indicates, nevertheless, that the government has made the right decision.

The defense industry would not contribute hundreds of millions of its own funds if it was not convinced that the projected can be carried out and that it will reveal itself to be superior to the alternative of the aviation industry, and also for civilian development and production.

The proposal will entail new techniques-lighter and more effective motors, cheaper electronic equipment etc so the tendency toward constantly increasing costs can be arrested. A requirement for a positive decision in 1982 is that there will be binding offers.

The new plane will, it is contemplated, gradually replace the Viggen in the beginning of the 1990's. If we decide to buy a finished foreign plane, we will save money in the next 7 years, but we will have to pay all the more when the aircraft are acquired. We can, of course, "fund" defense appropriations during the 1980's for the plane of the 1990's; but there is a risk that this will be a budgetary tactic without coverage in increased savings in the economy. Actually a delay in investing in the aircraft will decrease pressure on the defense establishment to carry out a necessary structural reorganization in the 1980's.

The Viggen system was expensive, but the greatest waste in defense is the inability to adapt the peace organizations to current economic limits. Appropriations have been used for what is called in the defense debate "organizational survival," at the cost of, among other things, retraining call-ups and the acquisition of material. To refrain from technical renewal and at the same time to maintain the organization is nothing but a form of unilateral disarmament at the highest possible cost.

6893

CSO: 3109

GOVERNMENT SEEKS REMOVAL OF CENTRAL BANK PRESIDENT

Istanbul MILLIYET IN Turkish 23 Apr 80 p 9

[Text] The Ministry of Finance is said to be striving for the removal of Central Bank President Ismail Hakki Aydinoglu as the date for the bank's general assembly meeting approaches. The news that the president of the Central Bank is to be removed from office has appeared in the foreign press and the FINANCIAL TIMES published in England has announced that English bankers are closely following news items concerning this matter.

Central Bank President Ismail Hakki Aydinoglu had been brought to this position to replace Cafer Tayyan Sadiklar during the term of the Ecevit government. Sadiklar had appealed to the 'Danistay' in an attempt to stop the implementation of the decision concerning his removal. [The Danistay is a court with jurisdiction over legal matters arising between the government and private citizens.] Upon arrival into office, the Demirel government awaited the conclusion of Sadiklar's case and on 7 March 1980 the court decided against Sadiklar by a 20 to three decision.

Following this, new moves for removing Aydinoglu from office were attempted. The removal of the Central Bank's president requires a decision by the six-member bank assembly, a request by the Minister of Finance and a decision by the Council of Ministers. Two members of the Central Bank's assembly are replaced each year so that the assembly becomes fully renewed in membership every three years. Assembly members Ekrem Barlas and Haydar Boganc are scheduled to complete their tenure in the course of this year. Normally, two new members to serve as replacements would have to be selected at this year's general assembly. The replacement of the two members would fall short however of bringing about a majority which could remove Aydinoglu from office.

In a letter signed by Minister of Finance Ismet Sezgin and sent to the Central Bank on 5 April 1980 it has been requested that "elections be held on 30 April to replace all members of the bank's assembly and the bank's governing board in view of the fact that these two bodies are unable to function in agreement with one another." Following this letter by the

Minister of Finance. The bank's assembly asked the bank's governing board "whether or not it was in agreement." Upon hearing from the governing board that it was in agreement the bank's assembly rejected the Finance Minister's letter as well as his request.

9491

CSO: 4907

GOVERNMENT MOVES TO TIGHTEN CONTROLS ON BANKS

Istanbul TERCUMAN in Turkish 28 Apr 80 p 5

[Text] It has been announced that controls on banks that are entitled to hold reserves of foreign currency are to be tightened in view of the fact that 80 percent of such reserves are improperly sidetracked for the importation of industrial and commercial goods.

Banks that are entitled to hold reserves of foreign currency must operate within the confines of an announcement by the Demirel government on 25 January 1980. In conformity with the austerity measures adopted by the Demirel government, 20 percent of all foreign currencies and cash is to be transferred to the Central Bank within 10 days, while the remaining 80 percent is to be used for the servicing of existing credit payments and imports of petroleum, fertilizer, medicine, as well as payments on goods, imported through licenses issued after 1980.

In the wake of this announcement, the following developments took place within the market:

Foreign currencies obtained from exports, workers' remittances, transportation, tourism, commissions, transfers and foreign contractors as well as various foreign currencies obtained in Turkey and from illicit sources constituted the foreign currency reserves of the banks. Twenty percent of the reserves in question were being deposited into the Central Bank while the remainder was being used for imports and various official foreign-currency transfers. In time, however, the transfers were shifted from high-priority vital items such as existing credit payments, petroleum and etc., to more profitable commercial goods. As a result, the burden for the transfer costs of petroleum and other primary goods began to be felt by the limited resources of the Central Bank.

The announcement modified Monetary Decree No 17. It also opened the way for the importation of commercial and industrial goods through the use of foreign currencies purchased without inquiry as to the origin of the currency or the identity of the seller. As a result, profits for individuals

who transferred export rights to other individuals went into decline. Prior to the devaluation of 24 January and the adoption of austerity measures, foreign currencies transferred by exporters brought profits of 22 to 30 liras per dollar. This profit fell to between 13 and 18 liras with the new rate of 75 liras per dollar. The new rate also brings about a difference of 5 to 8 liras in profit in the case of foreign currencies obtained from tourists, workers and illicit sources and used by banks to finance imports. Receipts not being available in the case of the lower rates, importers prefer to exercise the right to import at the higher premium rates of 13 to 18 liras.

We have learned from concerned sources that certain banks do not follow the stipulations of the government's announcement. Market analysts and manufacturers indicate that should this situation continue, the government is likely to exercise its authority to "partially or completely remove from banks that do not follow stipulations the right to deal in foreign currencies." It is noteworthy that the Ministry of Finance has announced that it is beginning to verify through certified bank accountants whether or not banks have exceeded their authority or failed to keep their commitments.

9491

CSO: 4907

TUSIAD REPORT ON FOREIGN MARKET ACTIVITIES

Istanbul TERCUMAN in Turkish 13 May 80 p 5

[Excerpts] The Turkish Industrialists and Businessmen's Association, in a report entitled "Turkish Contractors in the Foreign Market," disclosed that while the funds brought into Turkey by Turkish contractors stood at 55 million dollars for 1978, this figure was expected to increase to 200 million dollars in 1979 despite the fact that Turkish contractors have only recently penetrated foreign markets.

The TUSIAD (Turkish Industrialists and Businessmen's Association) report calls particular attention to the intensification of our businessmen's activities in such Arab countries as Libya, Saudi Arabia, Iraq, Kuwait and Abu Dhabi. Despite all of the difficulties they have encountered, Turkish contractors have entered into competition with completely Western national corporations from such countries as South Korea, Yugoslavia, Greece, Taiwan, India and Lebanon. The report goes on to express these sentiments: "Having taken over the lion's share of business in the Middle East, South Korea earns over 3 billion dollars in foreign exchange revenue each year. In order to win contracts, besides having workers work for nothing, contractors receive unheard of incentives from their government. At the present time, Turkish contractors have landed 2 billion 300 million dollars worth of business, all of which is divided up among private firms. Included among those firms that hold contracts for work in excess of 100 million dollars are: Sezai Turkes-Fevzi Akkaya with 400.7 million, Libas Corporation with 400 million, Bahattin Goren with 180 million, Bimhol Inc. with 155.6 million, Enka Inc. with 110 million and Ontas Corporation with 109 million. Besides infrastructure facilities, public works, housing, road construction and factory construction, Turkish firms have reportedly landed contracts for factory assemblage as well as project and engineering services amounting to millions of dollars.

The TUSIAD report points out that Turkish firms doing business in foreign countries run into a variety of financial, bureaucratic, political and labor problems and that if the conditions needed to be a competitive nation can be met, contracting services could give birth to a large new sector

which would contribute to the economy of the nation from every standpoint. The report lists the problems encountered by businessmen as follows:

- difficulties in obtaining a bond insuring the fulfillment of contract
- insurance against political risks
- restrictions in choosing labor and foreign exchange liabilities in employment
- preparation problems
- lack of incentives
- difficulties in communications, in purchasing know-how and in cooperating with Turkish missions in foreign countries.
- travel difficulties and foreign exchange problems
- tax problems.

It has been reported that according to official records there are currently 11,714 Turkish workers employed by Turkish contractors. Moreover, it's been said that foreign contractors who land contracts in Middle Eastern or North African countries prefer to hire Turkish workers. According to the TUSIAD report, approximately 70,000 Turkish workers are currently employed by foreign firms and a total of 80,000 work under difficult conditions in Arab countries.

In the report, contractors claim that the practice of making a 30 percent deduction from the payroll for mandatory remittance to Turkey is an unjust one and that neither employers or employees are happy with the practice. As a result of this practice, Turkish contractors must pay their workers higher wages.

CSO: 4907

INDUSTRIAL PRODUCTION SLOWS DURING FIRST QUARTER

Istanbul MILLIYET in Turkish 26 Apr 80 p 9

[Text] It has been revealed that significant slowdowns and set backs have been suffered by certain sectors of industrial production during the first three months of 1980. Figures for the first few months of the year illustrate setbacks in the production of writing paper, rectangular iron, circular iron, copper, sulfuric acid, ammonium sulfate, fertilizers with phosphate, cement and petroleum crude.

Labor conflicts within the sector of production comprised of metallic goods have significantly affected the overall set back in industrial output as the result of halts or slowdowns in production.

A slowdown in construction is bringing about slowdowns in industrial sectors concerned with the production of construction materials.

The demand for durable consumer goods, household products and even kitchen appliances has been adversely affected by large increases in the prices of raw and semiprocessed materials required by these industrial sectors. In turn, unfavorable pressures upon demand are making it impossible for production to continue at previous levels. Uncertainties concerning the future as well as the high cost of credit are bringing about difficulties in the production of goods destined for inventories.

According to a study entitled "Production Levels for Selected Industrial Materials" and prepared by the State Institute for Statistics, production levels for the following goods have increased in January of 1980 in comparison to January of 1979: Regular gasoline by 1.7 percent, motor oil by 52.4 percent, fuel oil by 18.9 percent, paper for newspapers by 7.0 percent, steel blocks by 8.2 percent, blum-slap [sic] by 5.5 percent, logs by 4.2 percent and ammonious fertilizers by 450 percent.

Production levels for the following goods have dropped during the month of January 1980 in comparison to January of 1979:

High-test gasoline by 74.8 percent, kerosene by 24.0 percent, L.A. by 0.4 percent, raw paper by 91.3 percent, cast iron by 57.6 percent, angle iron by 10.9 percent, circular iron by 29.8 percent, copper by 11.8 percent, sulfuric acid by 28.9 percent, ammonium sulfate by 35.9 percent, fertilizers with phosphate by 9.8 percent, cement by 71.1 percent and raw petroleum by 15.9 percent.

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PRICE DECREASES NOTED IN SEVERAL SECTORS

Istanbul MILLIYET in Turkish 23 Apr 80 p 9

[Text] Prices of goods which had risen to levels above individual buying power following the measures adopted on 25 January have begun to decrease. The money shortage which has grown to significant proportions within the market is being attributed to market stagnancy as well as the drop in prices. It is reported that efforts to secure cash rapidly lie behind the drop in prices.

The following is an outline of price reductions in various sectors of the industry.

In the construction sector, iron that sold for approximately 48 liras about three months ago is currently being sold for 42 liras. While cement which cost 320 liras on the open market during the month of January, is currently being sold at 280 liras. Following price increases within state economic enterprises that pushed the price of aluminum ingot to 222 liras, the price for plate aluminum had risen to 400 liras. In the last few days, this price has dropped to 320 liras. The price of aluminum logs which had risen to between 280 and 300 liras as the result of price rises within state economic enterprises, had brought about the rise of the price of aluminum plate to 450 liras. This price has dropped at the moment to between 380 and 400 liras.

There have also been important decreases in the price of sheet metal. While prices for galvanized sheet metal were between 100 and 115 liras and prices for regular sheet metal 60 and 70 liras, these prices have now dropped to 90 liras for galvanized sheet metal and to between 50 and 55 liras for regular sheet metal.

Prices within the automobile industry are also said to have fallen as the result of decreased demand. Backlogs in inventories and sales below official prices have begun to affect certain models. The black market in smaller cars is said to have ended almost entirely, while it is claimed that prices for such cars have dropped back to official levels.

Prices of television sets have been particularly affected by lesser demand following excessive rises to official prices for durable consumer goods. While the official price for a television set is 37,000 liras, television sets are being sold at dealerships for 35,000 liras and below. There have been no significant changes in prices for refrigerators and washing machines. This is being attributed to strikes within the metal workers' union.

Price stabilizations and decreases have also affected paper and paper products. While a month and a half ago a bale of third-rate paper used for the production of newspapers sold at 1,100 liras, it is currently being sold for 850 liras. The price of coarse paper of the kind used in the manufacture of paper sacks has dropped from 220 liras to 180 liras. The owner of a paper goods store has stated that "while lists for price rises arrived each week during the past year, for the past two months price rises have stopped and even been replaced on occasions by suggestions for lower prices."

Another store owner stated that "a procedure that did not exist in the past has begun to be implemented. Price commitments to customers can now be made for periods of up to five months. Such commitments could not be made in the past because no one could predict the price rises a good might be subject to within the next 10 days. Commitments can now be made as no large fluctuations in prices are being expected."

It is being announced that the stagnancy and money shortages present in the market is likely to have an effect on production. One manufacturer stated that "while several hundred thousand workers in the industries for metallic as well as textile goods are on strike, there are no complaints from anyone as those goods find no buyers in the market place whether they be manufactured or not."

In stating that supply is likely to be diversely affected by a continuation of this situation producers have said that "cash-flow problems have negated the favorable influence to be brought about by the resumption of transfers and that only a few manufacturers could afford to tie capital to imports for periods of a few months." Academicians have stated for their part that "monetary policies to prevent price rises during periods of high inflation have a tendency to slow down and even stop industrial production. Such slowdowns in production when coupled with efforts to reduce demand in order to stop price rises can become the foundation for future price increases."

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RISES IN ILLEGAL ELECTRICITY USE REPORTED

Istanbul CUMHURİYET in Turkish 19 May 80 p 5

[Excerpts] The Istanbul Electric Administration suffered 85 million lira in losses as a result of its inability to prevent "electricity rustling." Moreover, its inability to bring a halt to this criminal practice over the years has left those who work on this problem at the Istanbul Electrical Power, Tramway and Subway Administration (IETT) in a difficult position. Frot Generator Office authorities, who calculate that illegal electricity use cost IETT 60 million lira in the 10 years between 1968 and 1978, report that within the last 2 years losses have reached 85 million lira.

It has been alleged that businessmen are also among those persons guilty of using stolen electricity who are repeatedly threatened by the authorities.

The Municipality follows IETT on the list of those who suffer the most losses as a result of "electricity rustling." The issue has led to reciprocal accusations between various offices. As a result, disputes between the Frot Generator Office and the Consumers' Office have taken on an acrimonious air that has disturbed the workers. The different sides have exchanged accusations and claims about "having uncovered the incident" and "having covered up the incident." However, while these accusations have followed one after another in rapid succession, not one official has made a statement about how or when this 85 million lira for electricity costs will be collected.

One employee at the Frot Generator Office who has been closely involved with the issue stated that if he were to categorize those places using stolen electricity he would have to place commercial buildings, small factories and work sites at the top of the list, while the use of stolen electricity persists in certain "gecekondü" neighborhoods. Another employee stressed that the number of cases of illegal electricity use is on the rise as a result of the failure of the administration to impose any penalty in such cases.

BRIEFS

UNEMPLOYMENT RATE UP--There has been a 45,000 person increase in the ranks of the unemployed during the first 4 months of 1980, bringing the total number of unemployed persons to 2,385,000. The total number of unemployed persons at the end of 1979 stood at 2,240,000. Calculations, which were made by the Work and Worker Placement Association concerning job openings during the first 4 months of the year and which are based upon rather limited findings, indicate that a large number of those who are unemployed are not seeking work. As of April 1980, there were approximately 700,000 unemployed persons in the agricultural sector and 1,685,000 such persons in the nonagricultural sectors. While nearly 425,000 of these persons are seeking work, 1,260,000 are not doing so. Observers, who point out that there has been an accelerated increase in the number of unemployed persons not seeking work in recent years, refer to these persons as "those whose hopes of finding work have been shattered." Furthermore, the rate of participation in the workforce is gradually declining. While 80 percent of the population within the 15-64 age group participated in the workforce in 1962, this percentage dropped to 68.9 in 1977 and 68.7 in 1979. April 1980 figures indicate that this percentage currently stands at 66.4 percent. [Text] [Istanbul CUMHURIYET in Turkish 31 May 80 p 4]

KIT COORDINATION BOARD--Prime Minister Suleyman Demirel issued a circular yesterday in which he announced the formation of a coordination committee to insure the more profitable operation of the state economic enterprises. The circular, which was issued by the Prime Minister's press office, stated: "The means of deciding upon and implementing budgets, accounts and long and short term programs as put forth in section C of law number 440 concerning state economic enterprises; their institutions and partnerships, has been approved as the basis for the harmonious and profitable operation of institutions affiliated with these enterprises and for relations between the enterprises themselves. Thus, in accordance with article 18 of the aforementioned law, it has been deemed appropriate to appoint Minister of State Ekrem Ceyhun the chairman of a committee which shall be composed of the minister of finance, together with the appropriate ministers and the directors general of the enterprises involved, and which shall be charged with insuring that a harmonious and profitable working environment exists between the various ministries and enterprises and with bringing about cooperation between them." [Text] [Istanbul HURRIYET in Turkish 21 May 80 p 3]

COTTON PRODUCTION DECLINE PREDICTION--According to the most optimistic predictions, cotton production in Çukurova and the Southeast Anatolia Region will decline by 45 to 50 thousand tons. As a result of heavy rains, such an undesirable eventuality is especially likely in the production of cotton using irrigated fields. According to statistics, 280,000 tons of cotton fiber was produced in Çukurova and the Southeast Anatolia Region last year. This year, however, the production of cotton fiber is expected to drop to 230,000 tons, even by the most optimistic predictions. Experts indicate that this decline in the cotton crop is "inevitable" despite a 30,000 hectare increase in the amount of arable land. Experts, who note that between 300 and 310 thousand hectares of land in this area will be used for irrigated plantings while 90,000 hectares will be used for dry planting, describe the situation in this way: "A certain amount of an increase in the yield of dry-planted fields is expected as a result of flooding and unexpectedly heavy rains. However, a decline will be seen in the yield from cotton plantings in irrigated fields because of an increase in damages. [Presumably due to the flooding and heavy rains mentioned above.] As a result, the total cotton fiber crop for the region is expected to decline by 45 to 50 thousand tons. [Text] [Istanbul CUMHURİYET in Turkish 27 May 80 p 4]

SPECIAL ANTITERRORIST TEAMS--Special teams will reportedly be established within the framework of the Ministry of Internal Affairs for the purpose of dealing with anarchistic incidents and embassy raids. Acting Minister of Internal Affairs Orhan Eren disclosed that these teams will be assigned to every mass incident. Eren, indicating that foreign experts will also be employed in putting together these teams, stated that work is continuing in this matter. It was noted that these teams will undergo special paramilitary training and that when necessary they will be assigned the task of dealing with embassy raids and plane hijackings. [Text] [Istanbul CUMHURİYET in Turkish 19 May 80 pp 1, 11]

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